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THE ECONOMIST IN A WORLD IN TRANSITION

Presidential address delivered at the Forty-ninth Annual Meeting of the American Economic Association, Chicago, Illinois, December 29, 1936

Economic science has a solid tradition and an arsenal of techniques that offer a fair measure of objective certainty. As economists we think of our science developing out of its own inner forces, according to its own laws. Why then need we concern ourselves particularly with the fact that the social political economic intellectual world is obviously in a condition of flux which as historians we should have to recognize as presaging a transition to a new order?

Is it relevant that the layman expects us to direct our interests and efforts toward the problems that are presented by the time? We all know, indeed, that the intelligent public is discontented with the economists. We are charged with a multitude of sins, many of which we do cheerfully and sinfully acknowledge. We are said to disagree on every imaginable point of doctrine. So we do. We are freemen. Those who wish for agreement among scholars would best turn to the scholars functioning anemically under the totalitarian states, where economics is an apology for the will of a dictator, usually an ordinary man of low I.Q., magnified to a million diameters. We plead guilty to the charge of diversity of opinion. We are proud to plead guilty.

But there is another charge brought against us for which our defense is not so adequate. It is the charge that we spend too much time in ivory towers—vegetable ivory, to be sure, made by du Pont—and too little time out in the rough and tumble of real life. We are credited with the ability to apply reason to the problems that are breaking the back of the average good citizen, but we appear to lack the public spirit that would prompt us to exercise that ability.

Imagine that we were living in a time of geologic cataclysm, and the vast Eurasian continent, from Kamchatka to Gibraltar were cleft in twain, exposing the geologic formations down to the hot Plutonic base, what could we expect of the geologists? That they would add footnotes and appendices to their standard texts, or that they would go out with hammer and chisel, and report: "Such and such is the actual architecture of the

world"? Later they might find it interesting to notc that the great minds of the past had an occasional inkling of the reality.

The economic and social world was cleft and shattered by the series of events beginning in 1914. How confidently can the future historian turn to the economic writings of the war and post-war periods for an illuminating analysis of the actual development of economic forces and their social political repercussions? The layman believes that the historian will find that the writings of economists offer the least fruitful material for his purposes.

The layman thinks that the economist has been not very helpful in clearing up the issues raised by the late depression. He thinks that the economist has followed the time-honored precept: "If you haven't got what the customer wants, throw a handful of statistics in his eyes."

Of course the layman is uninformed and unfair. It goes without saying that he greatly under-estimates the actual contribution of the economists to the interpretation of the problems of the day. In one point, however, the layman appears to have justice on his side. The economist has not been active enough, responsible enough, well enough organized, to bring forward his findings on emergency situations before the moment for action has gone by. The economist has refused to pass judgment on the basis of data that are only ninety per cent adequate, although the practical affairs of the world must necessarily be conducted on a much less adequate basis than that. In spite of the fact that his material is always imperfect, he has allowed himself to be controlled, in too great measure, by academic perfectionism. In spite of his recognition of the fugitive character of authority in the social sciences, he is unwilling to take a chance that might weaken his authority.

Therefore politics, which must act when the crisis presses, acts for the most part without benefit of the services of the economists. With due credit to the economists who composed the original "brain trust," we must still admit that the policies grouped together under the term "New Deal" have been little influenced by the professional economist. The economists were slow to realize the need for action, and were inclined to hold back and let the politicians assume all the responsibility. We saw, in the making, measures that responded to an immediate need, but were full of imperfections. We saw other measures that should never have been adopted, but we held our fire until after the enemy column had passed. This the lay public resents.

But are we as scientists responsible for applying ourselves to the immediate need? Is it not the glory of science that it holds aloof from the transient emergency and discovers principles that have worked through long periods, and will still be operating after the dust of the present occasion has cleared away?

It is possible that the physical sciences may develop independently of

urgent present needs. The course of development of the social sciences exhibits no such independence of the course of actual events. We have moved from practical problem to practical problem ever since the first mercantilist writers tried to clarify the rules of foreign trade and the physiocrats sought release from a system of taxation and regulation that was destroying the basis of a civilization. Today, too, the greater part of our economic thinking revolves around the problems of the day. When we shall have worked through the data of war and post-war adjustment, of depression and recovery, every part of our system of thought, even to the most refined theory, will have undergone modification.

The economist cannot justly be criticized as aloof to the issues of the time. Where he may fairly be criticized lies in the slowness of his response. There is too long a lag between the questions put to him and the answers he works out. In a slow moving world like that of the nineteenth century this perhaps made little difference. In a world undergoing transition the answers may come too late to be of value.

Collectively the economists of today represent an incomparably greater mass of trained thinking power than those of an earlier world. The public holds them responsible, collectively, for applying this power promptly to the issues of the time, that the inevitable adjustments of a period of transition may be made without unnecessary friction and waste. But we are not organized to carry a collective responsibility. We alone are left of the era of rugged individualism, each staking his own claim and exploiting it or neglecting it as he pleases.

The time has come when the economists need to organize themselves effectively to do the work which society may reasonably require of them. We shall be organized not indeed to replace the work of the individual scholar by that of associated groups. Most significant work will always be done by the scholar working as an individual. But we shall make a real effort to keep our whole personnel alive to the issues of the time. We shall know what resources we have for dealing with these issues, and we shall use our organized moral forces to encourage the full employment of these resources for the general good.

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THE PROBLEM OF STRUCTURE IN AMERICAN LABOR

For the first time in the history of the American Federation of Labor, the supremacy of the craft union leaders is being challenged from the inside of the organization. The techniques of amalgamation of craft unions, widening the base of admission and forming departments, have been found inadequate to meet the structural problems faced by American unionism in the mass production industries. These methods can be used in those industries where craft division is clear and skill predominates.

The craft unions have not been active in the mass production industries, and their title to these sectors is purely nominal. The workers in the mass production industries were aroused to the need of organization by the NRA; and the craft unionists immediately demanded that their jurisdictional rights be respected. The unions which supported industrial unionism, after being defeated at the convention of the American Federation of Labor, organized the Committee for Industrial Organization, which is determined to continue an active campaign in the mass production industries, although it has already led to charges of insurrection, and suspension. This development threatens a permanent division in the American labor movement.

The problem of structure has become the paramount question confronting the American labor movement. For the first time since its organization in 1881, a powerful group of leaders is demanding fundamental modification of the structure of the American Federation of Labor. Not content with formal presentation of resolutions at conventions, the group, believing in the need for structural change, has organized the Committee for Industrial Organization. This is not a fight of ideologists against practical executives; for the industrialists have a large following in the general ranks of organized labor, considerable influence among non-labor opinion, and the unquestioned support of their own internationals. For the first time the craft unionists are facing a real threat to their domination of the labor movement.

The deficiencies of the craft form of organization have been recognized since the eighties. A number of methods for surmounting these shortcomings has been proposed. Some of these sought to utilize the machinery of the Federation for making the needed changes; while others were founded on the belief that only by a reorganization of the labor movement from the outside could it be rescued from inevitable doom. Amalgamation of related crafts, the widening of the base of a given craft union through more liberal rules of admission, and the combination of craft unions into departments[1] have been the popular solutions of the problems of structure. Thus related internationals like the plumbers and steamfitters have combined in one union. The same process is evident in the amalgamation of the carpenters and woodworkers, the weavers and dyers, and many other closely related crafts. Mechanical change and threat of competition from the less skilled workers have forced many unions of skilled mechanics to

[1] A department is a central organization formed by a number of craft unions in an industry for the purpose of meeting problems common to that industry. The department attempts to bring about close coöperation between the craft unions in an industry, and to eliminate jurisdictional disputes.

open their doors to the semi-skilled specialists. Some of the once exclusive trades have even allowed the unskilled to join their ranks. In some cases the less skilled workers have been offered a "second-class" membership, which was an attempt of the skilled craftsmen to gain support and at the same time maintain their own domination of the less skilled auxiliaries.

Amalgamation of closely related crafts, or the extension of the boundary of an existing craft union, are the happiest solution of the perplexing problem of structure. Since each craft is sovereign, it is very difficult for the Federation to revoke a union's jurisdiction once it has been granted. This is especially true if the union happens to be a strong and powerful one. Actually the leaders of the American Federation of Labor do not derive their power from the conventions of the American Federation of Labor. On the contrary, their influence in the councils of the Federation is derived from their power within their own international organizations. With an occasional exception—James O'Connell of the machinists, and William Green of the miners—no leader who has lost his position in his own international union has long survived as an important figure in the Federation. Exclusive of the president of the American Federation of Labor, few labor leaders have carried sufficient prestige to speak for more than their own international unions. The only exceptions have been John L. Lewis, and his predecessor, John Mitchell, and to a lesser degree Sidney Hillman of the clothing workers. Virtually all other leaders speak only for their own internationals rather than for the general movement. Under these conditions a leader usually feels that the interests of his own organization are uppermost. Even if he were inclined to sacrifice some of his union's domain for the good of the general movement, he could do so only by running the risk of endangering his influence at the source.

However, not alone fear but the average labor leader's training and outlook are a barrier. As a union's activity is principally concerned with job conditions and job opportunities, a surrender of a portion of a job area to another group of workers would be considered little different from the introduction of a labor-saving device without the mitigating feature of inevitability or circumstances beyond one's control. In addition, the average leader fears that amalgamation may force him into an inferior or subordinate position; and he is loath to jeopardize his influence or his sure control of his own group.

Amalgamation of related crafts has therefore on the whole contributed little to the solution of the problem of structure. Individual crafts which have become going concerns have not been ready to sink their identity without a great deal of pressure. In many cases it has meant the forcible absorption of the weaker craft rather than the merging of equals. Whenever unions of almost equal strength exist, this procedure has not been readily adopted.

The coöperation of a number of crafts through the department has been another method of overcoming the limitations of structure. This technique was developed on a local scale by the building and metal crafts in the early eighties. Actually it embodied no innovation, for it simply meant the extension of tried procedure on a national scale.[2] The departments have enabled the craft unions to achieve greater unity in their dealings with the employer, through the authorizing of a common committee to conduct negotiations for all the crafts, and by provisions for the simultaneous expiration of contracts, or contractural clauses permitting withdrawal of members from a job in the event of a controversy with another craft employed in the same industry. To some extent the department created greater unity in an industry. It, however, failed to devise a method by which the resources of the different unions in an industry could be combined against an employer during an organization campaign in the industry. Unity followed, but did not precede, organization; and it was possible for one group of workers in a department to be organized while their fellow workers in another craft remained non-union. Nevertheless, the department could be effective in an industry where craft divisions were clear, and where problems of rates, tools, and working conditions could be best determined by the particular craft group. This type of organization enabled the workers to present a united front against the employer, while allowing each group to determine its own specific problems. The desirability of this form of organization was recognized by Gompers early in his career,[3] and several attempts to organize the department were made by leaders of craft unions before the successful effort in 1908.[4]

In the same year that the Federation chartered its first department, the I.W.W. made its first bid for power in the East. It was not until the spectacular struggles of the I.W.W. in McKees Rock, Lawrence, Paterson and Little Falls that the executive council of the American Federation of Labor felt obliged to answer the criticism that it was opposed to industrial unionism. Then, as now, the Federation announced that its autonomous unions were free to amalgamate, and pleaded that its policy had always been to encourage that process.[5]

At the time the departments were established as an answer to the need of greater unity, the mass production industries had not reached their present integration or mechanical efficiency. The automobile, rubber-tire and aluminum industries were in their infancy, and radio was unknown. In

[2] Albert T. Helbing, *The Departments of the American Federation of Labor,* Johns Hopkins Press, 1931, p. 13; P. J. McGuire, "Building Trades Leagues," *National Gazette and Review,* September 7, 1891.

[3] American Federation of Labor, *Proceedings,* 1888, p. 18.

[4] William Spencer, "The Building Trades Council Prior to the Formation of the Building Trades Department," *American Federationist,* July, 1916.

[5] American Federation of Labor, *Proceedings,* 1912, p. 115.

the steel industry unionism was waiting for the *coup de grâce* which the United States Steel Corporation was to administer two years later. It is unlikely that the promoters of the departmental form of organization foresaw the problems and difficulties of organizing these nascent industrial giants. These industries in fact played no rôle in the organizing plans of the craft-union leaders, who were accustomed to operating on a better known and tried terrain. The Federation leaders, acting on the assumption that every group must furnish the initiative and propulsive force to organize itself, blandly ignored these growing industrial sectors. One of the factors which reduced the possibility of spontaneous organization of these industries was the character of the labor force employed, a large portion of which came from the rural sections, and was naturally unacquainted with the gospel of unionism. Not only were these workers lacking in craft pride, but their working experiences in the highly mechanized industries was averse to its development. The craft division prevailing in the older industries was not only alien to the newcomers, but everyday experience tended to increase their differences. Consequently these workers never developed the craft consciousness of those employed in older industries.

No serious attempt was ever made to bring these workers under the banner of organized labor. Only once was an organization campaign considered in the automobile industry, and then the novel method of calling upon the industry to help do the job was devised.[6]

An independent union, the United Automobile, Aircraft and Vehicle Workers, which had been expelled from the American Federation of Labor for refusal to surrender its rights to all workers in the industry, made some progress. It led an uphill struggle, but it never possessed the resources or organizing ability to build an effective union in the industry. The other mass production industries were even more completely ignored by the American Federation of Labor and its affiliates holding nominal title to those jurisdictions. In the rubber, aluminum, cement, electrical appliance industries even these desultory attempts to organize were absent; and in steel the shrunken and puny Amalgamated Association of Iron, Steel and Tin Workers was, after the strike of 1919, left to battle with the colossus of steel. The Federation did nothing to revive, inspire or even keep alive the belief and hope in unionism in the mass production industries.

It was the depression which awakened the workers in these forgotten sectors to the need of organizing. Even before the enactment of the National Industrial Recovery act the workers in the automobile industry were stirring. In 1933 a wave of strikes swept over the industry. Beginning with the walkout at the Briggs plant on January 11, strikes in the Hays Motor Body at Grand Rapids, the Hudson plant in Toledo, Willys Overland in Cleveland followed in rapid succession. The Federation took no part in any

[6] American Federation of Labor, *Proceedings,* 1926, pp. 171-172.

of the walkouts. It gave neither organizational nor financial assistance to these early struggles. The leadership was furnished by the I.W.W. and local groups which disintegrated soon after the closing of the incident which brought them into being. The American Federation of Labor played no rôle in the creation of union sentiment in the automobile industry; and the ability of the Mechanics Educational Society to organize several thousand tool and die makers between April and December, 1933, is perhaps the best proof that the workers had scant knowledge of the Federation. The craft unions had avoided the mass production industries; and their inactivity was both an admission of defeat and of lack of interest.

After the passage of the National Industrial Recovery act the American Federation of Labor took cognizance of the new situation, and entered the lists by sending organizers into these forgotten territories. However, conducting extensive organizing campaigns has never been an important function of the Federation. Its organizers have been mainly public relations counselors or advisers to the officers of the affiliated unions. Though lacking experience, the Federation made a serious attempt to act in the new situation. With it went a realization, among some of the organizers, that in this unfamiliar territory, the mass production industries, novel methods would have to be employed. The organizer who was placed in charge of the campaign in the automobile industry was instructed that "each individual plant engaged in the manufacture of automobiles and the assembling of parts into completed automobiles shall be the unit of organization. Each plant will be organized into a federal labor union under a charter granted by the American Federation of Labor."[7]

At this time it dawned upon many of the leaders of the craft unions that this was more than a temporary wave of enthusiasm and that there were new permanent members to be secured. Consequently they asserted their jurisdictional rights to the craftsmen organized in the plant unions. That they had merely held title to these fields without once seriously trying to take possession did not, in their eyes, invalidate their claim. As expressed by the president of the Metal Trades Department, a charter was a contract between the Federation and the international unions concerned and could be broken only by the consent of both parties.[8] This was in effect the argument of Chief Justice Marshall in the Dartmouth College case carried into the constitutional law of the American Federation of Labor; but it scarcely helped in the solution of the problem of structure. It may even be admitted that the desire of the craft unionists to protect their nominal jurisdictions was not wholly motivated by lust for new members and increased dues, but by a conviction that the newly unionized craftsmen in the

[7] William Collins, "Automobile Workers Organize," *American Federationist*, July, 1934, p. 700.

[8] American Federation of Labor, *Proceedings*, 1935, pp. 552-559.

basic industries would find their union experience a disappointment and sever their connections with organized labor unless they were allowed to join their fellows in the international unions of their craft. At best this could be considered only as a rationalization of their own prejudice, and as lacking proof of prior interest in the problems of these workers. On another and more selfish count the crafts feared that once they allowed an infringement of their nominal jurisdiction the industrial unions, their appetite whetted, would constantly demand more concessions until the craft unions were erased from the labor scene. Moreover, they insisted that it was more difficult to define an industry than a craft.

These fears cannot be dismissed as wholly fanciful. The industrial union, once established, might become voracious in its demand for the subsidiary industries bordering on its main jurisdiction. Yet the history of jurisdictional disputes indicates that the definition of a craft has not always been simple. The imperialistic labor union has always existed, and the problem of jurisdictional disputes would under a mixed craft and industrial arrangement very likely become intensified. On the other hand, the political art developed by the American Federation of Labor renders the situation, even in the newer, more complicated form, far from hopeless.

A conference of the heads of the international to discuss the problems of the mass production industries was called in January, 1934. It agreed "that the work of organizing by and through the national and international unions be supplemented by that of the American Federation of Labor through federal and local trade unions, proceed with increased vigor and determination, that the fullest possible latitude be exercised by the Executive Council in the granting of charters where and whenever a temporary infraction of the rights of national and international unions may be involved, that the Executive Council adjust such difficulties in the spirit of taking full advantage of the situation and with the ultimate recognition of the rights of all concerned."[9]

For the time being the craft union officers were willing to postpone their claim for the parcelling out of the members of the federal locals among them, but it is evident that they were not ready to forfeit their rights. As the campaign gained momentum, and the leaders of the federal locals expressed reluctance to have their recruits divided among the crafts, the craft unionists became alarmed. They now saw their nominal jurisdictional rights set aside for the benefit of those who had only recently become attached to the labor movement. They felt that their rights should be given greater consideration than the "Johnny Come Latelys" who recently joined. The larger labor movement being, in their minds, of secondary importance, they were determined to push their claims.

The organization campaign continued on a federal union basis. In July,

[9] *American Federationist*, February, 1934, pp. 137-8.

1934, a National Council of the United Automobile Workers was organized, representing more than 150 federal locals. An executive committee of eleven was chosen, with the organizer of the Federation in the automobile industry as the executive officer.[10] The Federation was still in charge, but the automobile union now had a "territorial" legislature, with the Federation organizer as "governor." The automobile council, despite considerable mumbling, voiced public satisfaction with the support of the Federation, and a resolution informed President Green "that the organized automobile workers appreciate profoundly the great service rendered them by the American Federation of Labor."[11]

The Federation did not fully utilize its opportunities, but considering its limited facilities it rendered considerable aid. At no time in its history has the Federation been considered the generalissimo of the organizing forces. The insistence of the affiliated unions for absolute mastery of their domain has made it impossible for the Federation to initiate campaigns. During the régime of Gompers, and occasionally under Green, the Federation has been called upon to arouse enthusiasm or public support in certain campaigns, but this was usually done at the request of the international concerned.

The absence of a central organizing unit has been one of the important factors which has made it virtually impossible for the Federation to organize "virgin" territory. A powerful or moderately strong union might possess sufficient resources for an extension of its influence; but it has been extremely difficult for a newly formed organization to carve a place for itself. Should the new organization operate in an industry of large aggregations of capital, its task is well-nigh hopeless. The founding fathers of the Federation lived in a world of small industrial units, and their descendants have insisted upon utilizing the same organizational techniques. It is true that the present set-up of the Federation does not allow for central direction of organizing campaigns, and to that extent it is inadequate to meet the demands of the present-day world. One must almost be a believer in miracles to expect a group of workers without experience or financial resources to carry on a successful campaign against million-dollar corporations. This is the fundamental issue in the dispute between the American Federation of Labor and the Committee for Industrial Organization.

As the campaign in the mass production industries progressed, the craft unions became more convinced that a reassertion of their claims was imperative, if they were to avoid losing the craftsmen by default. At the convention of 1934, fourteen resolutions on the question of industrialism were introduced by a number of unions. The federal locals protested against the

[10] *Official Proceedings First Session of National Council of United Automobile Workers Federal Union,* p. 3.

[11] *Ibid.,* p. 6.

attempted raids by the craft unions; and the craft unions complained of the encroachments of the federal unions upon their jurisdictions. After six days of vigorous debate, the resolutions committee brought in a compromise report that the Executive Council is directed to issue charters for national or international unions in the automobile, cement, aluminum and other mass production and miscellaneous industries as the judgment of the Executive Council may deem necessary to meet the situation.[12]

This resolution imposed upon the Executive Council the burden of interpreting the situation. Being dominated by the craft unionists, it was interpreted to mean that production workers were to be placed in the industrial unions while the craftsmen were to be organized by the craft unions.[13] This, of course, granted no concessions to the industrialists, as the affiliation of the production workers had never been in dispute. Howard, of the printers, the author of the compromise, took another view of the situation. He claimed that "the purpose and intent of the report was to have granted by the American Federation of Labor unlimited and unrestricted charters in those industries so there would not be jurisdictional claims on the part of the craft unions for the purpose of dividing the workers that might become organized in those special industries."[14] The craft unions, being in the majority, refused to give up what they regarded as their jurisdiction, and also refused to allow the industrialists' claims over the job and contract shops. The crafts felt that they had been generous in yielding as much as they had; and to the plea for wider unity, they answered that it could be achieved more efficaciously through the medium of a council of trades.[15]

It is true that this method of achieving greater solidarity of labor has not been exhausted. The Maritime Federation of the Pacific shows that under certain conditions unity can be achieved by this method. This Federation is the central organization of longshoremen, seamen, masters, mates and pilots, engineers, radio telegraphers, and machinists; and it has succeeded in winning its way against the opposition of the international officers of some of the unions.[16] In structure the Maritime Federation closely resembles the System Federation on the railroads, although differences in working conditions of the several trades in the maritime industry militate against the presentation of uniform demands.

There are, however, a number of important differences between such mass production industries as automobiles, rubber or steel and the craft-divided maritime industry. The occupations of the sailor and longshoreman

[12] American Federation of Labor, *Proceedings*, 1934, p. 587.
[13] *Ibid.*, 1935, p. 535.
[14] *Synopsis of Proceedings of the Second Convention of the United Automobile Workers of America*, 1936, p. 31.
[15] American Federation of Labor, *Proceedings*, 1935, p. 574.
[16] *The Voice of the Federation*, November 14, 1935—January 30, 1936.

are clear and distinct, as are those of the pilot and telegrapher. Each individual in the maritime industry has the feeling of being a member of a trade rather than of an industry. But, the overwhelming majority of mass production workers consider themselves members of an industry. A man is an automobile worker, a rubber worker, and not a craftsman. In the maritime industry, no one group has a numerical preponderance. In the mass production industry, the several craft groups are insignificant minorities. Hence in the maritime industry the clear craft divisions force the achievement of unity of action through the method of federating the different integral units, while in a mass production industry, the maintenance of craft divisions would only create an artificial fissure in a naturally united group.

The workers' knowledge and experience with unionism must also be considered as factors in the ability of a group of workers to manage a federated scheme of organization. A large number of workers in the maritime trades, have, at one time or another, belonged to a labor organization. The political art of unionism is, to them, neither new nor novel. The unions operate on a terrain which has been explored and mapped for many years; and the workers understand the tried procedure and organizational forms. These factors have enabled the unions in the maritime industry to evolve wider unity in the traditional manner. The mass production industries, however, present an opportunity to the labor movement to enlarge its science of government by allowing these industries to experiment with a different type of organization. These industries have been the "Northwest Territory" of unionism, which many of the crafts have claimed as their own, but none has shown the power to explore and conquer.

It is not necessary to assume that mere change of structure would mean immediate admission to the mass production industries. Yet the failure of the crafts imposes the need of a more experimental attitude. One can discount the exaggerated claims of the industrialists and yet admit that, everything being equal, the mass production industries can be more easily organized by pursuing their program.

Increased importance was given to the problem of structure when the heads of eight international unions affiliated with the American Federation of Labor formed the Committee for Industrial Organization for the purpose of promoting industrial organization in the mass production industries. There is nothing in the principles or practices of the American Federation of Labor which forbids affiliated unions' joining together to advance a particular policy. No overt act had been committed, and it was not yet known whether the Committee intended to invade any of the craft unions' jurisdiction. As a matter of fact the industrialists had ample precedent for their conduct in the Committee for Progressive Political Action, which sought to reverse the age-long policy of non-partisan political action of the

Federation. Some of the bitter opponents of the present advocates of industrialism were leaders in the earlier endeavor. Naturally the Committee insisted upon its right to continue existence, and its members pleaded that it sought only to advance the organization of the unorganized.[17]

The original eight unions—the United Mine Workers; the Amalgamated Clothing Workers of America; the International Ladies Garment Workers' Union; the United Textile Workers of America; the Oil Field, Gas Well and Refinery Workers of America; the International Union of Mine, Mill and Smelter Workers; the International Typographical Union; and the Cap and Millinery Department of the United Hatters, Cap and Millinery Workers' International Union, the officers of the latter two serving as individuals—were later joined by the Federation of the Flat Glass Workers of America; the Amalgamated Association of Iron, Steel and Tin Workers; the United Automobile Workers of America and the United Rubber Workers of America. In addition, two unions not affiliated with the American Federation of Labor, the United Electrical and Radio Workers and the Industrial Union of Marine and Shipyard Workers have been allowed to join the Committee.

The issues between the two groups lie deeper than mere difference over organization forms. President William Green has called attention to the membership of both craft and industrial organizations in the ranks of the Federation as evidence that there is no need for division in the ranks of labor. This view, though literally true, places undue emphasis upon the past and not enough on the future. It is not whether the Federation allows industrial unions, but whether it is prepared to organize the mass production industries on that basis. This is the one basic question that divides the two groups. Moreover the industrialists believe that the organized have certain obligations toward the unorganized sections of labor, and that the unions cannot afford to wait until the unorganized man develops a predilection for unionism. On the contrary, the C.I.O. has determined upon an active, vigorous campaign to convert the unorganized into union men. It has shown its confidence by donations of several hundreds of thousands of dollars for the campaign among the unorganized. This contrasts rather sharply with the $100 contributed by each of the 22 craft unions for the organizing campaign in the steel industry in 1918![18]

Following the refusal of the Committee to heed the warnings of President Green, charges of "dualism, rebellion and fomenting insurrection" were preferred against the members of the Committee, and they were ordered to appear for trial before the executive council of the American

[17] *Industrial Unions Mean Unity: An Answer to President Green,* Committee for Industrial Organization, Washington.

[18] Selig Perlman and Philip Taft, "*History of Labor in the United States,*" vol. 4, p. 462.

Federation of Labor. The members of the Committee refused to heed the summons, and charged that the action of the council was unwarranted by the constitution of the Federation, and they therefore refused to submit to the council's jurisdiction.[19] Suspension followed. Gradually the division seems to be reaching a stage where an unbridgeable gulf will be created between the two groups. Subsequently the executive council of the Federation appointed a committee to confer with the C.I.O., but the latter organization refused until the suspension was rescinded. This attitude was correct technically, for, unless the Federation by its rescinding of the suspension admitted its error, no organization campaign could safely be undertaken by the C.I.O. The council could, any time it served the interests of the those groups which dominated it, brand the activity of other unions as "illegal and outlaw." Moreover, the C.I.O. could not enter the conference room as long as it stood suspended, for that would be an admission that it had acted illegally. Negotiations can only be carried on between free and untrammeled men, not between a prisoner in the dock and his judge.

The position of the council was upheld by the convention,[20] which means that the council can suspend unions in the event of a dispute over jurisdictions. If the council has power to interfere in the affairs of the constituent unions whenever the situation is in its opinion of sufficient importance, it becomes possible for those internationals which dominate the Council to hamstring the activity of other unions. Under these conditions the autonomy of the unions, one of the major traditions of the American Federation of Labor, would be surreptitiously ended.

An open war between the two factions might end in a pyrrhic victory for one of the antagonists. However, the division, though undoubtedly deplorable, may be the only way in which a serious effort will ever be made to organize the mass production industries. The craft unionists, having the numerical preponderance, have refused to make any concessions and are clearly responsible for the present impasse. In the event of permanent division, reprisals of one group against the other will be the order of the day. This is already evident in the decision of the metal trades to boycott the labels of the C.I.O. affiliates, which was followed by a boycott of the label of the Amalgamated Clothing Workers by the American Federation of Labor.[21] These measures may succeed only in arousing more bitterness as local groups are apt to ignore that kind of convention dicta. The latter action is moreover indicative of spite rather than statesmanship.

The Amalgamated Clothing Workers of America was formed as a result of a division between the officers of the United Garment Workers

[19] *Why the Committee for Industrial Organization Will Carry On,* Committee for Industrial Organization, Washington.

[20] American Federation of Labor, *Proceedings,* 1936, pp. 495-502.

[21] American Federation of Labor, *Report of Proceedings,* 1936, pp. 71-72.

and the foreign-speaking tailors. Unable to find support for their organization efforts in the United, the tailors organized the Amalgamated Clothing Workers whose record of notable achievements is equalled by few unions. Desiring to organize the shirt workers—mainly employed in the small cities—the Amalgamated found that the approval of the American Federation of Labor was needed. Despite its success as a labor union, the Federation has always regarded the Amalgamated Clothing Workers as an outlaw, and the United as the legitimate union. It was only with the approval and consent of the United—which had the charter for the men's clothing industry—that the Amalgamated was admitted into the Federation. The United agreed, after it was assured the privilege of selling labels to the Amalgamated which netted it a profit of more than $25,000 yearly.[22] Upon the suspension of the Amalgamated for belonging to the C.I.O., the former refused to subsidize the United Garment Workers, whose president, T. A. Rickert, a member of the executive council, had voted for suspension. Despite the Amalgamated's control of the overwhelming section of the men's clothing industry, and the aid it has rendered to other groups, the Federation voted to boycott its label. This was in effect an order to union men to patronize non-union made goods, as the United has virtually no membership in the men's clothing industry.

Despite the belligerent attitude of the leaders of the craft unions, it seems that they are not in a very good position to visit reprisals upon the C.I.O. It is doubtful whether they can organize strong opposition unions in the coal or garment industries. Their success in printing is doubtful; and they have had poor luck in many of the mass production industries. On the other hand, the C. I. O. is led by a bold, resourceful leader, who knows how to carry the fight to his opponent. In addition Hillman and Howard of the printers are at least the equal of any two officers serving the craft unions. Victory may, however, go to the strongest battalions and not to the superior generals. No doubt the Federation has the numerical preponderance, but the *élan* and superior fighting capacity is on the side of the C.I.O. The vitality of the latter was well illustrated in the last political campaign. Enthusiasm, drive and the will to organize are also on the side of the C.I.O. It is, however, within the realm of possibility that the craft unions may show much greater energy against their labor opponents than they have against the employer. This will, of course, make the task of the C. I. O. more difficult. Even without the strenuous opposition of the craft unions, the success of the C.I.O. is far from assured. Attempting to storm the mass production industries is no easy task. However, in the event of failure the C.I.O. unions will have demonstrated to the unorganized worker that they are ready to come to his assistance whenever he de-

[22] *New York Times*, November 23, 1936.

cides to organize. In that event the C.I.O. would still be a force to be considered seriously, especially in any future political calculations. The confidence of thousands of workers in the large industrial states will place these leaders in a position where their claims will have weight. It seems highly probable that many thousands will attribute their wage increase and job improvement to the readiness of this organization to pick up the gauntlet in their behalf. Though they may find it impossible to transmute their gratitude into organization, it is not likely that they will entirely forget those who are ready to risk and fight for them.

In the event of a split, the C.I.O. may also find considerable support among sections of the craft unions. The West Coast Maritime workers will, if forced to make a choice, accept the C.I.O.; and the officers of their own international unions will not be ready to join in a campaign of reprisals against the industrialists. Moreover, the existence of a second labor body will also make it more difficult to enforce jurisdictional awards, as unions may threaten to secede and join the C.I.O. All these possibilities will tend to make expulsion and war a costly undertaking for the craft unionists.

It is true that the C.I.O. may mean an end to the unity of the labor movement. Unity can, however, become a fetish blindly worshipped for its professed good. In the twenties the labor movement was completely unified. Even the dissonant cries of the I.W.W. and Communist barely reached a whisper. Yet we find that it is a decade without progress, without a single permanent contribution to the cause or organization of labor. The fragility of the American labor movement bids its leaders to be wary of splits and divisions. If, however, labor is to play an important part in the next few years in shaping policy, the semi-skilled and unskilled must be drawn under the direct influence of organized labor. The increasing dependence of labor upon government means that a numerically strong movement is needed to be effective. Moreover, labor must avoid a division between the sheltered, skilled workers, and the distressed unskilled. This dichotomy was a serious blow to German trade unionism, for it enabled the fascists to gain the ear of many workers. The C.I.O. by its policy of organizing the unskilled is trying to avert this danger.

The C.I.O. is an attempt to broaden the base of organized labor, to strengthen its weakest sections, and to give it a more representative character. It is a recognition by a large mass of workers that one portion of labor cannot permanently improve its lot while leaving the remainder behind.

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COMPETITIVE SIGNIFICANCE OF SUBSTITUTES FOR PUBLIC UTILITY SERVICE

Within the last decade two conflicting lines of thought bearing on the economics of public utility enterprises have appeared. It has been claimed that these industries no longer are essentially monopolistic because of new manifestations of competition; simultaneously, efforts have been made to develop a systematic theory of monopolistic competition. The application of the latter doctrine should shed some light on the former contention. Public utility services are, in most cases, sharply differentiated from substitutes in important respects; and this means that while markets may overlap, normal competition is chiefly at the borderlines. In the public utility industries, wherein important technological changes and shifts in demand have been characteristic, perfunctory analysis may result in confusing competition with the process of economic displacement or exclusion. It may be questioned, also, whether the seeming prevalence of close competition is not traceable to monopolistic policies; artificial market relationships may easily be mistaken for competition.

In recent years, indirect competition from substitutes has been heralded as a revolutionary phenomenon which compels a revision of all thought and doctrine concerning the action, scope and consequences of competition in the public utility industries.[1] A most extreme expression of faith in the efficacy of indirect competition is the assertion that "we may look with equanimity . . . upon the further growth of the great superpower projects . . . vast groupings of railroad property and other transportation adjuncts; world-wide intercommunication services. . . . For above the vast organization . . . stands supplantive competition, a far greater industrial force . . . than the puny individual competition often worshiped as the 'life of trade.' "[2] To the same effect, others have stated that over seventy-five per cent of the electric light and power business is highly competitive, that except for a "trivial amount" the local utilities are subject to "keen competition," that "it is high time that some able analyst point out the really competitive character of the gas and other public service industries," and that "none can deny that the telephone business is competitive."[3]

Those who take this position have made it clear that their presumption of ubiquitous competition in the rendering of public utility services implies the feasibility of freeing these enterprises from regulatory restraints which

[1] This paper is concerned chiefly with what are called, somewhat inaccurately now, the local public service industries; but much of what is said applies to interregional transportation as well.

[2] David Sarnoff, "Science Will Destroy the Laggard," *Nation's Business*, vol. 18 (1930), p. 32.

[3] State of New York, *Report of Commission on Revision of the Public Service Commissions Law*, Legislative Document (1930), no. 75, Testimony of A. T. Hadley and Floyd Carlisle, pp. 324-326; Philip Cabot, "Public Utility Rate Regulation," *Harvard Business Review*, vol. 7 (1929), pp. 257, 264-265, 415; H. B. Dorau, "Merchandising as a Factor in the Gas Industry," *Gas Age-Record*, vol. 61 (1929), p. 683; M. K. Cameron, "Rate Reduction as a Measure of Commission Efficiency," *Public Utilities Fortnightly*, vol. 6 (1930), p. 259; W. J. Donovan, "Is the Interest of the Public Inconsistent with the Interest of the Utilities?" *Proceedings* of the Academy of Political and Social Science, vol. 14 (1930), p. 167.

they find irksome. Nor may it be assumed that all those who support the notion that public utility business is highly competitive have a selfish motive; for it is not without significance that the doctrine of pervasive competition has developed concurrently with deficiencies in and criticisms of the existing system of regulation. There is an inclination to sift the discarded ashes of competitive theory, as applied to public service enterprises, in the hope of salvaging some effective means of controlling their activities. The advocacy of a rate policy based upon what the traffic will bear is consistent with the view that indirect competition by substitution is so prevalent as to constitute a check upon public utility rates and profits, making public control not only superfluous but positively undesirable. An easy way out of prevailing regulatory difficulties and inconsistencies thus would be provided.[4] This emphasis upon competition through substitution is not difficult to understand, since the dynamics of technological change have provided more possibilities of doing the same or a greater variety of things, and consumers are confronted with more ways to spend, as alternatives are pressed insistently to their attention and buying is made attractive with credit lures. It is not entirely unnatural, then, that vendors of public service, in common with sellers in general, are led to over-rate the competitive significance of economic circumstances which impede their efforts to attract or to hold all desired business at prices which yield large profits. Moreover, the greater appreciation of the force of substitution has served a useful purpose, since it has driven home the idea that a concept of absolute, unlimited, "natural" public utility monopoly is untenable.

We are dealing here with the problem of composite supply and with the complex price and market relationships involved when similar but at the same time differentiated products and services cater to the same economic needs. While it is undeniable that under some circumstances several goods and services may compete for the same market, it is necessary to take into account, also, that there are limits to the competitive influence of substitution. When allowance has been made for the possibilities of substitution in the public utility field, it still must be held that the competitive force represented thereby has been exaggerated. The suggestion that the choice of what to buy is no different from that of where to buy a single product or service when competition is direct, and that the competitive restraint upon price is the same in either case, invites careful investigation.[5]

[4] As a matter of fact, the commissions have for years been permitting the private companies to formulate their rate structures largely on the basis of alleged competitive considerations.

[5] Certain aspects of this problem have been treated critically in the following: H. M. Gray, "Competition as a Basis for Electric Light and Power Rates," *Journal of Land and Public Utility Economics*, vol. 5 (1929), p. 242; J. A. Ryan, "Public Utility Rate Regulation," *Harvard Business Review*, vol. 8 (1930), p. 193; J. W. Boatwright, "Competition and Electric Rates," *Journal of Land and Public Utility Economics*, vol. 7 (1931), p. 181.

power.[7] The essential point is that a monopoly is not necessarily disarmed

The mere possibility of substituting one good for another often is offered as evidence of competition, but little effort is made to analyze or equate the various relevant factors which induce consumer choice. If every conceivable substitute is regarded as proof of a *completely* competitive market, no room is left for a concept or social problem of monopoly.

A principal source of confusion is the failure to guard statements about competition and monopoly with an explicit recognition that in a world of complex economic relations industries cannot be classified as either absolutely monopolistic or purely competitive.[6] The relationship between competition and monopoly is misconceived when they are treated only as opposites which mutually exclude each other. Too often, in this matter, finality of conclusions has been gained while the possibility of applying them to the actualities of economic affairs has been lost. When, as in most cases, elements of both competition and monopoly are present in some degree, the situation must be analyzed by taking carefully into account the particular mixture of forces that operates in the type of enterprise under investigation. This approach will serve to emphasize that the problem of public utility monopoly is not so much a special case as it usually has been considered. On the one hand have been those who have chosen to call public utility enterprise a "natural" monopoly because of certain economic tendencies and because entrance into the field is restricted by law. At the opposite extreme, others have pronounced public utility business as essentially competitive whenever any evidence whatsoever of competition from substitutes could be shown. The sharpness of the controversy disappears when the true relationship between competition and monopoly is appreciated. The intermixture of competitive and monopolistic forces is nowhere better illustrated than in the public utility industries; and it is this relativity or co-existence of the two which is fundamental to the problem of this paper.

Another point where much confusion arises is in the erroneous assumption that the presence of two or more sellers in the market necessarily means that competition is there. The real nature of the market must be determined by an examination of what the rival sellers actually do, the conditions under which they enter and operate in the market, the selling policies they adopt, and the transiency or permanence of the competition. Tentatively, it will be well to bear in mind that the central idea of the present study is that the availability of substitutes (while it may indicate effective competition in some cases, often temporary but sometimes of a fairly lasting sort) more frequently than not represents a limitation upon the exercise of *monopolistic*

[6] *Cf.* E. H. Chamberlin, *Theory of Monopolistic Competition,* Harvard University Press, Cambridge, 1933, especially pp. 63-68; Joan Robinson, *The Economics of Imperfect Competition,* Macmillan, 1933; R. Liefmann, "Monopoly or Competition as the Basis of a Government Trust Policy," *Quarterly Journal of Economics,* vol. 29 (1914-1915), p. 308.

latter will drive out the less satisfactory substitutes and competition with

power.[7] The essential point is that a monopoly is not necessarily disarmed by the existence of substitutes even though over-reaching efforts to gain profits may be restrained.

A fundamental prerequisite to an understanding of the competitive significance of substitution is the realization that there probably never was and never will be a perfect substitute for a given product or service. Substitutability is a relative matter, the adequacy of which requires a careful balancing of all the relevant factors which enter into the determination of consumer choice. It would be the exceptional rather than the commonplace circumstance for all such elements to balance so as to leave two alternatives in a perfectly balanced value equation with each other. The very concept of substitution, signifying as it does an opportunity to choose the most satisfactory among alternative goods for a certain purpose, implies a gradation of differences rather than a complete indifference on the part of buyers. It follows that whether the opportunity of substitution results in a market situation that may truly be called competitive depends upon whether or not the consumer or buyer is afforded a reasonable and effective choice. Any combination of circumstances which limits the free exercise of choice must, in the very nature of the case, limit competition. When the consumer or buyer is compelled, for any reason, to resort to a less desired alternative, competition recedes. Furthermore, there must not be artificial controls over the market such as price fixing, monopolistic withholding of supply, or price discrimination which splits the demand into segments for separate treatment. Market manipulation is the antithesis of competition. On this point, those who argue for the pervasive influence of competition must have assumed that prevailing public utility rates may be taken for granted, and with their untested justification as a point of departure have jumped to conclusions regarding the reality and broad scope of competition. It is well to remember that, at some price ratio, even quite imperfect substitutes will offer competition. Where there are pronounced advantages in public utility service, however, any persistent continuation in the use of individually produced service or of substitutes is a strong indication that the rates for public utility service are subject to monopolistic influences.

In the public utility field, it is not a valid assumption that substitutes generally are equal in utility-yielding capacity. Striking differences in quality, convenience, controllability, speed, safety, cleanliness, and saving of human toil and energy are the rule rather than the exception. In the majority of cases, the public utility service is clearly preferable from the standpoint of these attributes. That being so, if the prices of the alternative goods are approximately equal to the cost of the public utility service, the

[7] If the above statement be criticized on the ground that there is no real difference between treating substitutes as competitive factors and considering them as imposing limits upon monopoly power, it still may be insisted that the emphasis in the latter case is better placed because a clearer understanding of the nature of the market forces and of monopoly is likely to result.

and subsequently have increased rates to take monopolistic advantage of

latter will drive out the less satisfactory substitutes and competition with them. When the superior service costs considerably more than the alternatives, and this too is typical of public utility services, a more indeterminate and complex relationship is involved. By and large, the alternatives will appeal to essentially different markets, however, as do gas and coal for house heating. There will be some overlapping of markets and consequently a margin of indifference and real competition only where the relative costs of the services and comparative satisfactions derived strike an approximate equation, and the users have the financial ability to exercise a choice between the differentiated services or products. A lowering of the cost or price differential between the alternatives will change their market relationship, and it is likely to enlarge, temporarily, the competitive scope as the preferable service is being brought within the reach of larger groups with smaller incomes. But even then competition is tenuous; for, if the price gap be sufficiently narrowed, the good of higher satisfying power or utility will progressively exclude more of the inferior substitutes from the market.

Analysis of the competition which public utilities meet from substitutes must take into account that the use of public utility service often entails investment in appliances and complementary equipment.[8] High cost appliances and complementary equipment have the same effect on the competitive picture as do high rates for the service itself, since many are excluded from the market by inability or disinclination to make the necessary initial capital expenditures. Once the user is committed to a particular type of service, he is unlikely to be willing to transfer to another if it would be necessary to scrap expensive and specialized appliances. A cost of obsolescence is involved, which tends to arrest transfer to a superior productive method or consumer service, even when rates, considered alone, would suggest the economy of doing so. The public utility companies have interpreted this handicap to an easy promotion of new business as another earmark of competition. Rather than fostering competition, however, this lessens it, because of the inability to move freely from one type of service to another solely on the basis of a consideration of price and quality comparisons. Moreover, while a public utility may experience this handicap to extension of its service, once the transition has been made, a monopolistic advantage has been gained in that the user will again be unwilling to scrap costly equipment unless the inducement is strong. That the private utilities have been aware of this is demonstrated in those cases where they have initiated low promotional rates to induce change to public utility service

[8] This is important in domestic electric and gas service, in furnishing industries and commercial establishments with power and heat, and in rural electrification. The point does not apply to telephone service, because the customer is not required to provide himself with expensive equipment to take advantage of public utility service. In the case of transportation, however, somewhat the same circumstance exists for those who have invested in a private vehicle.

and subsequently have increased rates to take monopolistic advantage of the rigidity or inelasticity of demand established by the appliance investment.

Reference already has been made to the limitation imposed upon the demand for public utility services when the cost, including rates and appliances, makes it impossible for large numbers of people to use them. It would be a peculiar brand of reasoning to refer to this inability to purchase what may loosely be called luxury service, in contrast to less desirable substitutes, as evidence of competition. It is true, of course, that when electric or gas appliances are unnecessarily expensive and rates excessive, a larger part of the potential market will be lost by public utility enterprises and will go instead to substitutes which are less satisfactory but cheaper; but it should not be concluded too hastily that the market is highly competitive for that reason. Large numbers in the low income groups are outside the market for a liberal use of gas and electricity through a sheer inability to pay for the service and appliances at prevailing rates and prices. This is not to say that the provision of cheap but serviceable appliances accompanied by low rates will not open a larger market. But when the consumer perforce must use a cheaper substitute or deny himself entirely, his failure to buy the better and costlier service contains nothing of competition. There is no competition when the buyer's power of choice is limited by his purse.[9] To the extent that public utility service is brought within the reach of the masses, permanent competition is not necessarily

[9] Financial limitations affect the demand for utility service in other directions. To designate the rural market for electric service as competitive, because alternative forms of energy continue to be widely used, is to overlook the fact that most individual farmers with limited income and financial ability cannot finance a complete and immediate electrification of farm operations. Many of them are outside the present market for major usage at existing rates. The most striking feature of rural electric service by private companies in the United States has been its slow development, despite the fact that the potential use of electric energy on farms is tremendous. There are other methods of supplying power for agricultural operations, but the alternatives represent not so much of competition as a challenge to reorganize agricultural production by making superior electric service available and cheap. This task the private companies, with their eyes glued to the prospects for immediate profits, have not been disposed to tackle seriously. In like manner, when a factory or commercial establishment does not utilize modern improved public utility service, it is not proved that competition affords a complete explanation. If the alternative service is not cheaper or more satisfactory, still the enterprise may not be in the position financially to make a desirable change to the better type of service. The slow progress of railroad electrification is another case in point. If other factors such as relative costs, insufficient traffic density, limitations upon power transmission, and losses from obsolescence do not stand in the way, the financial condition of most railroad systems precludes a rapid transference to electric motive power. (For an analysis of the conditions and potentialities in this field see: Federal Power Commission, National Power Survey, *The Use of Electric Power in Transportation,* Power Series no. 4, 1936.) In all these cases, and others might be added, circumstances which cannot be described as competitive factors explain in large part the failure of public utility service to take over the entire market. There is insufficient active and continuous competition to rely upon it as a method of rate control.

created. Instead, old ways and goods are made obsolete and will be displaced by a superior service and technique. Nor is competition very active in that part of the market composed of those with larger incomes. This class since it places a high premium on the convenience and labor-saving features of public utility service, is disposed to pay the price, within broad limits, despite the higher cost. The market divides itself roughly into two parts, the one including those who have the financial ability to choose the preferable service and the other, those who do not. There may be little of competition in either except of a borderline sort, which is likely to be unduly magnified by the rate and price policies and selling pressure devices adopted by the respective sellers.

Every approach to the problem of the relationship among substitutes serves to emphasize its dynamic and transitory character. It is not unusual for a product or a service, once dominant in the market, to find its position challenged by a new and better technique. For a time, several products may compete with each other, as electricity, gas and the crude fuels do now to some extent, with the seller of each one motivated by the urge to broaden his market by dipping into every possible field for energy and power. Each new technological change, in speed of operation, in cost, in convenience of use, or in quality of result will tend to bring about a redistribution of functions. Every improvement requires a period for adjustment before an approximation to an equilibrium is reëstablished. The social import of such change may be tremendous, and there is no intent to underrate that, but the rivalry so induced is not a socially sound basis for public utility rate determination. As a new technique is developed and improved, the impermanence of the competitive struggle becomes more obvious. The automobile ruled out the horse and buggy, and electric light replaced the candle and kerosene lamp. Few would claim that they now are competing goods. The progress toward centralization of electric supply,[10] the unification of telephone communication, and the still urgent need for efficient mass transportation facilities in congested city areas point in the same direction of economic change and the eventual triumph of superior devices. It may take some time for a better product to demonstrate its superiority, and in the meantime the frantic efforts of the sellers of the "weaker" good may give a convincing picture of vigorous competition. The continued presence of inferior substitutes marks incompleteness, a lag, a last struggle of a waning type of good.

[10] The central electric station is making gradual but persistent inroads upon the other means of providing power for industrial purposes. Except in special circumstances in those industries where the operations are such as to result in high load factor, as in the steel industry, the central station has already demonstrated its greater economy. The public utility operators have emphasized the vigor of isolated plant competition when trying to vindicate their rate policies, but have at the same time contended that isolated plant generation is obsolete and uneconomical.

Substitute goods may provide a more effective threat in some places than in others. In those areas where some raw fuel, such as coal, oil, or natural gas, is abundant, there may be real competition with central station electric service. Even then the material from which electricity can be generated will be correspondingly cheap, and if capital costs are not too great a public utility may not be at a disadvantage. There is also the possibility that in extreme cases a raw fuel may be so cheap that electric energy will be excluded as a competitive factor for some operations.[11] Where private water power sites are numerous, mills may be able to generate their own power on a competitive basis. In small communities private motor vehicles may offer a more serious competitive threat to a transportation utility than in densely populated metropolitan areas. Residents of small towns may get water from wells, an alternative not available to city people. It is not difficult to find other similar examples of competition between substitutes; but when the competition depends upon circumstances operative only in certain areas, it does not follow that the goods are generally competitive.

It may seem paradoxical but it is extremely significant that a monopolistic rate policy may create the semblance of spirited competition. This subtle point seems to have escaped the attention of those who are greatly impressed by the competition in the markets for public utility services. Most of the private companies have been noted for the waiting attitude which they assume toward their markets. An unprogressive, high rate policy has been combined with an aggressive sales policy which stresses quality and convenience rather than cost. This rate policy has been most evident in the domestic, rural, and small commercial electric business, but not in industrial power service. The gas and telephone companies have followed the same strategy. Appealing to quality of service rather than cost, the private utilities have sought to profit from a careful nursing of the market, adding to their volume gradually while maintaining rates at a monopolistic level. Competition appears to be particularly keen when prices for substitutes are falling, but public utility rates are held inflexible. When this is the case, as it has been during the depression, public utilities encounter stiff opposition from cheapening substitutes. This turn of affairs cannot be explained in competitive terms, however, because it is the consequence of a rigid, monopolistic public utility rate policy. The confusing result of an unsound rate policy is illustrated again when changing economic circumstances and the introduction of new techniques detract from public utility business. When the companies affected attempt to counteract the adverse effects of decreases in volume and revenue by increasing rates or by debasing service, it is inevitable that the loss of business will be accelerated. This applies particularly to the uneconomic price (rate) strategy of the gas, local trans-

[11] *Cf.* U. S. Department of Commerce, Bureau of Census, Census of Electrical Industries, *Central Electric Light and Power Stations,* 1932, p. 26.

portation and railroad companies. Their generally unsatisfactory condition, anguished outcries about competition being the fundamental cause of their difficulties notwithstanding, has been made worse by a self-defeating, blindly monopolistic rate and service policy.

Few of the public utility services are used for only a single purpose or by one class of buyers. The total demand is not homogeneous, but separates into groups, some of which may be competitive and others not. It will immediately come to mind that this is especially true of gas and electric service. Telephone communication is both local and long-distance, and while the telegraph, for example, provides a substitute for the second purpose, there is no satisfactory substitute for the telephone in local communication. The private automobile and the taxi compete with public transportation systems in some respects, but not everyone can own or hire the alternatives. When multiple use exists, the unwary may be led to conclude that competition is equally typical of all the uses. There is another difficulty. When there are several classes of demand, the temptation is great to grant concessions to the competitive business and to exploit the noncompetitive customers, if they can be separated from the first. The competition which does exist, rather than protecting those most in need of it, may work them positive harm.

More than to anything else, the impression that competition dominates the market is attributable to the discriminatory rate policy of the private companies. Charging each division of the market what the traffic will bear results in rates designed to meet the challenge of substitutes wherever they appear. Thus, when discrimination is the dominant feature of rate policy, as it has been in the electric industry particularly, it can be made to appear that competition is almost co-extensive with the whole field of operations. If emphasis upon the superior quality of public utility service is insufficient inducement, a discriminatory policy permits the solicitation of business at a preferential rate. Witness the efforts of the electric companies in the industrial power market, where it has been the practice to challenge the crude fuels and the isolated generating plant under almost all circumstances, often with special rate contracts. When rate policy is taken into account, the simulation of vigorous competition often can be recognized as monopoly in disguise. Public utility rates have been used as a balancing factor to approximate an equation between price and quality of public utility service in comparison with substitutes. Stripped of its complexities and variations, this is what a public utility is doing when, by discriminating rates, it attempts to charge each class of demand what it can be made to bear. The public utilities, in possession of a differential advantage relative to inferior substitutes, reap a gain to which their public utility status does not entitle them. Superficially, some of the earmarks of competition are there, when the market relationship with substitutes is

fairly close; but much of it is a false competition based upon monopolistic manipulation of rates. The conclusion that competition is widespread and general in the public utility business proceeds from the unsound premise that any pricing policy which will establish an equivalence between a public utility service and a substitute is proof of a truly competitive market.

The public utility services meet many fundamental needs of consumers and industries, although there are, for most of these services, substitutes of more or less adequacy. In some cases, as pointed out previously, improvements in organization and technique bring about the complete displacement of old and outworn methods and services; they cannot stand the dynamic pace of progress, and fall by the way. More often, the substitutes for public utility service have not passed completely into disuse. The complex conditions of economic life and processes may reserve to them a sphere wherein they can serve a usful economic purpose. Contrariwise, public utility service demonstrates a comparative advantage in some applications but not in all. As time goes on, and especially if rates become lower, this superiority covers an ever widening range of uses. In any event, as the various alternative products and services meet in the market place, there develops a tendency toward a partial or complete differentiation of function. The point that is of primary significance here is this: To the extent that a differentiation of economic function is indicated, it must follow that competition is abnormal, incomplete, wasteful, and probably temporary. The concepts of differentiation of economic function and of competition among substitutes are fundamentally incompatible. It is inconsistent on the face of it to insist that substitutes compete freely, that they really serve different economic purposes and are suited to different economic spheres, and that competition among them can be relied upon as a satisfactory method of price or rate control.

Some recognition already has been given in regulatory policy, particularly in the field of transportation, to the possibilities of a differentiation of function, although commitments in this direction have been cautious and hesitating. They may well be so, since society cannot afford to jump to hasty conclusions on the basis of scanty evidence, lest it misjudge the situation, freeze otherwise dynamic relationships into a *status quo,* and sacrifice the social benefits obtainable from growing industries and incompletely developed techniques. On the other hand, from the standpoint of the social interest in economizing resources, a consideration of the possibilities is imperative. Especially is this true in view of the fact that differentiation of function is not likely to be demonstrated very clearly when those who furnish related services solicit all conceivable business with the powerful weapon of discriminating prices. Those who conduct public utility enterprises, and in some cases the sellers of substitutes, are inclined to consider all uses for power, heat, communication, or transportation as a

potential source of business and to ignore economic limits to their markets. In the absence of any attempt whatever at a rational separation of market spheres in terms of the best social results achievable, a chaotic, wasteful, specious competition may persist for a long time in an economic system wherein concern for efficiency and economy is incidental to the pursuit of profits.

The principle of a differentiation of function leads logically to the proposition that economy of operation and organization might be promoted if the differentiated, complementary services were brought under a unified system. It is being suggested that the chaos of competition in local and long distance transportation and in communication can be eliminated by delegating each type of facility to the performance of those functions wherein it is demonstrably superior, with the several complementary devices tied together in a coördinated system. In these recommendations, it is implied, even when it is not stated, that whatever there may be of competition now in these fields is uneconomic and wasteful. The reasons for and advantages of coördination cannot be elaborated upon here. What is significant to the present purpose is that coördination has important implications with respect to competition. This can be made clear by reference to gas and electric service. Gas and electricity, after allowing for a considerable differentiation of function, are substitutable for each other in some uses. But these two industries are becoming more and more subject to a common control; and the largest and fastest growing electric systems are the ones which are composite, that is, which combine the electric business with gas service, ice manufacture, and other partially competing services.[12] Furthermore, even when gas and electric enterprises are not *operated* jointly, they frequently are subject to the same holding company domination. Recently, the rapid development of natural gas has not only acted as a tonic to the gas industry, but has been advanced by observers and interested parties as additional evidence that the market for fuels is highly competitive.[13] Efforts to spread the use of natural gas have been strenuously opposed by those who have vested interests in manufactured gas, as the latter, fully aware of the threat of displacement, have attempted to prevent encroachment upon their preserves by the cheaper and richer fuel. Strangely enough, these protective

[12] Of all the electric establishments reporting, 27.2 per cent were composite in 1932, with an average fixed capital of $9,260,753, and they reported 63.8 per cent of the total revenue from electric service. The total revenue for purely electric establishments shows an increase of 38.7 per cent in the ten-year period (1922-1932), while revenue for the composite establishments shows an increase of 165.1 per cent. Census of Electrical Industries, 1932, *op. cit.*, p. 12.

[13] Federal Trade Commission, *Report on Utility Corporations to the Senate of the United States Pursuant to Senate Resolution No. 83*, 70th Congress, 1st Session, Part 84A, *Economic, Corporate, Operating, and Financial Phases of the Natural Gas Producing, Pipe Line, and Utility Industries, with Conclusions and Recommendations*, December 31, 1935, pp. 47, 50, 145, 254.

obstructions are referred to as evidence of the "competition" which natural gas must meet. The natural gas business is itself highly concentrated and dominated by far-reaching monopolistic influences. The hub of the monopolistic wheel is the control of the pipe lines by a few dominant interests who have used their power to oppress independent producers, projects for competing pipe lines, and consumers, including distributing companies and industrial users of fuel.[14] Furthermore, the corporate groups exploiting natural gas have financial interests in gas distributing systems, and are the same holding companies which dominate the electric light and power industry. Realizing the monopolistic character of this complex pattern of intercorporate community of interests, the Federal Trade Commission in its report strongly recommended that the gas and electric industries be divorced as quickly as possible.[15]

Regardless of what the expressed motives in combining public service enterprises may be, one result is bound to follow. Whatever there might have been of competition between the public utility services is lessened, if not completely eliminated. Competition, after all, is not really an attribute of goods; carefully used, it refers to the *conditions* under which they are brought to and offered on the market. In so far as rates or prices are concerned, it cannot be maintained that two services compete when they are brought under a single control.[16] Prices (rates) will be fixed relative to each other to yield the greatest advantage to the seller. If the trend toward coördination continues in the public service industries, competition by substitution will become an even weaker force for safeguarding the public interest than it has been or now is, except where independent non-utility products and services continue to provide some competition. Coördination

[14] *Ibid.*, pp. 582-610.

[15] *Ibid.*, p. 617.

[16] It may be argued that there continues to be a competition in service, an interdepartmental rivalry or contest for supremacy. If it be granted that the contention has some appeal, how has it worked out in practice when tested by reference, for example, to composite gas and electric service? It is well known, and admitted by some of the gas men themselves, that the union of gas with electric service has resulted in a neglected and stultified artificial gas business, most of the promotional effort having been concentrated on the electric business with its broader range of adaptations. So pronounced has this tendency been that it has been seriously debated whether the manufactured gas business will survive at all if the existing organization of the industry is permitted to continue, although it is not entirely clear yet whether the principal reason for a languishing gas industry is to be found in technological change or in monopolistic suppression. If gas and electricity are normal competitors in a considerable part of the range of their uses, the public does not benefit from that possible competition under the existing unified control. If the two are not primarily competitive, there still remains to be determined with reasonable exactness the field of best adaptation for each. It may be true that the economies of joint operation and the possibilities of an orderly, harmonious coördination are appreciable; but some loss of efficiency might well be sacrificed in the hope of gaining a better understanding of what the economic relationship between gas and electricity really is.

must be looked upon as an instrument of social policy, designed to promote economical use of resources and maximum public service and convenience. If left solely to the dictates of private interests it may be a menace, a union of services calculated only to squelch whatever there may be of competition, to strengthen monopoly, and to relate the production, sale, and rates of the respective services for the greatest private gain.

Summary

It is clear enough, in perspective, that competition did not provide an ultimate explanation of the relationship between the railroad and the Conestoga wagon or the electric light and its predecessors which now are universally regarded as unacceptable substitutes. This phenomenon of transition to new and better techniques continues to be characteristic of the public utility industries; but it is likely to be overlooked, in the short-run view, amid the welter of complex and dynamic economic forces operative at any particular time. Powerful forces are working strongly to favor public utility services over outmoded substitutes for many uses when artificial barriers do not impede; it is essential that this be emphasized lest there be a confusion between the disorder of economic change, monopolistic restriction, and normal and more permanent competition.

Substitutes are rarely perfect; it is not a matter of indifference to the user which one shall be at his disposal. This is a generalization applicable to all economic goods, but it applies particularly to the public utility services, since most people under most circumstances prefer them on grounds of quality and convenience. Unless two methods of meeting the same need are approximate economic equals, cost and quality considered together, they are not competing substitutes. At best, competition of the public utility services with substitutes is not even and continuous, pressing with equal force at all times and in all parts of the market. Most significant of all is the fact that there are multiple uses for most of the public utility services; there may be competition in some parts of the total market demand and practically none in others. Bearing on this point, it is especially notable that the smaller users are not protected by the possibility of turning to satisfactory alternatives. Consumers who have come to consider a moderate amount of gas, electricity, water, transportation, and telephone service as a necessity, and who constitute the majority of the total number of customers, need protection. For the heavy-duty uses, non-utility substitutes are more nearly satisfactory. It has been amply demonstrated, however, that with low rates, improved service, and cheap appliances, increased use of public utility service will follow and the less desirable alternatives will be wholly or partly displaced. Here too, there are substitutes for public utility service, but they are not equivalent or completely adequate in many circumstances.

The majority of users can avoid monopolistic oppression and force the monopolist to recognize that his power is limited only by inconveniencing themselves.

Public utility electric and gas service to industrial customers does encounter a fairly high degree of competition from alternative sources of fuel and power. Substitution is feasible within closer limits of price range, and because the alternatives are more nearly equivalent, considering both cost and quality of service, these users are in a position to protect themselves reasonably well. Nevertheless, these statements are subject to qualification in view of the technological advantages and the gradual ascendancy of centralized production and service. The impression of the highly competitive nature of the industrial business is gained from an over-emphasis of exceptional circumstances which make the cost of providing power and heat in conjunction with industrial processes unusually low. Moreover, a tendency toward an economic differentiation of function between public utility service and the crude fuels may be obscured by a discriminating rate policy which allows concessions when necessary to get the business. A fictitious competition can arise from allowing special rates which will enable sellers just to meet the "competition" in each particular instance.

The possibility of substitution results in a less absolute but a more complex set of monopolistic and competitive forces. Although the power of substitution imposes a limit to the price that a monopolist can charge and still realize maximum net profit, there still is a vital difference between limiting monopoly and eliminating it. The issue is whether the public utility services have been developed to the maximum limit consistent with economy in the use of resources, recovery of legitimate costs, and a fair distribution of those costs in rates. If not, supply-restricting, profit-seeking, discriminating monopoly is parading under a false banner proclaiming competition. If the companies were less inclined to restrict service in some fields, the superior features of centralized public utility service would be asserted more strongly; and what now is regarded as competition would diminish. It cannot be granted that public utility business is conducted in a market that is for the most part competitive; but it is indicated that even the monopolies in this field, the so-called "natural" monopolies, are of limited power, because at *some* price consumers will turn to something else or will choose or have to go without. It follows that the recognition that there are competitive elements mixed with monopoly does not force the conclusion that social control in the public interest should be relaxed. The inference, rather, is that intelligent and far-sighted control is none the less necessary, but it is more difficult because the factors involved are more complex.

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SURPLUS LABOR AND THE SOCIAL WAGE IN GREAT BRITAIN[1]

Contraction or comparative inelasticity of demand in recent years was accompanied by notable increases in the average output of British workers and by large labor surpluses. The major economic problem affecting unemployment is not increased productivity of labor but restricted production. A point of view which has found favor among many economists and public men in Great Britain is to the effect that restricted production is largely due to failure to achieve a suitable allocation of income to consumption and investment. The British government traditionally restricted its rôle largely to the attempt to maintain the monetary and credit system in proper balance with volume of production. More recent policies have influenced the allocation of income by means of taxation, socialization of investment (especially municipal), and the social wage; and there is evidence to support the view that this policy has had a vital bearing on elasticity of demand.

Amount and Distribution of Surplus Labor

From the point of view of the amount of labor required to produce the goods and services necessary for the health, comfort, and moderate cultural enjoyments of the population and to maintain and renew the productive plant called for by such a standard of living, there has probably been no surplus labor, even in Great Britain. As here used, however, the term surplus labor means merely the amount of labor in excess of the demands of the market. It has been recognized in Great Britain that neither a restriction of labor productivity nor the traditional dependence on emigration and on expansion of demand for British products in the world market offers a solution of the problem of surplus labor. Noteworthy trends of thought and policy have recently been in the direction of attempts to increase the elasticity of demand in the domestic market.

Comparisons of data regarding surplus labor during the period before 1928 with later years are inadequate because of important changes before 1928 in the Ministry of Labor's unemployment statistics. "Not until 1928 was it safe to accept the unemployment percentage as indicative of the true trend of employment."[2] The year 1928 preceded the extreme depression, and 1934 was the first year of marked recovery. After 1934 employment was vitally affected by factors presumably temporary, notably the stimulus of re-armament and the continued expansion of capital goods due to the shift to protection combined with re-armament.

In July, 1928, the number of insured workers from 16 to 64 years of age was 11,881,500, and in July, 1934, 12,960,000. The per cent of increase was larger than in the total population in the same age groups, due in part to relaxations in the conditions for the receipt of unemployment benefits. These relaxations were a result of a progressive exhaustion of the savings of workers and an increase in the proportion of the population

[1] This article is part of a study undertaken in connection with a grant-in-aid by the Social Science Research Council of New York City.

[2] H. Clay, *The Post-War Unemployment Problem*, p. 38.

dependent on public assistance. The average number of unemployed insured workers in 1928 was 1,290,229, and in 1934, 2,170,819, an increase of 68.3 per cent.

The employment exchanges register for employment small numbers of workers who are not insured. In October, 1935, for example, the number of insured persons in Great Britain recorded as unemployed was 1,837,610. At the same time the number of uninsured persons on the registers of the employment exchanges was 132,138. These insignificant numbers of uninsured persons registered for employment do not indicate the number of unemployed persons among the uninsured groups. These groups, during the period now being considered, included persons under 16 and over 64 years of age; workers in agriculture, horticulture, forestry and private domestic service; female professional nurses; public employees; railway workers; wage workers on piece work in homes and others not under a contract of service; non-manual workers earning not more than £250 per year; and various types of casual workers.

Unemployment was not limited, however, to wage earners and salaried workers. There was a large but incalculable amount of unemployment and especially of inadequate employment among various other groups, such as small tradesmen and entrepreneurs and the independent professional classes. During a period of declining business activity, either on a national scale or in particular localities, many members of these classes inevitably suffer grave reductions in their work and incomes and in many cases are in all essential respects to be classed among the unemployed. Efforts to check marginal and submarginal employment included the granting of subsidies to coal mining and agriculture for maintaining them above their competitive levels. Evidence of the growth of marginal and submarginal employment is to be found in occupational shifts as shown by the occupation tables of the censuses of England and Wales in 1921 and 1931. The number of proprietors and managers of retail and wholesale businesses increased from 542,177 in 1921 to 651,100 in 1931.[3] Commercial travelers increased from 83,464 to 122,342; salesmen and shop assistants, from 660,465 to 865,305; roundsmen and van salesmen, from 34,177 to 84,853; and costermongers and hawkers from 53,939 to 78,689. Changes in retail trade are merely illustrations. New methods of retailing, and particularly the extension of delivery services, account to some extent for the increased number of persons connected with trade groups; but it is a reasonable inference that a part of the very large increases was due to the entrance into these types of work of many who would otherwise have been entirely unemployed and who sought in this way to support themselves at least in part until more satisfactory employment might become available.

There is no method of estimating the amount of unemployment outside

[3] Pharmacists were excluded from the 1931 figure.

of the insured industries or the increase in the volume of marginal and submarginal employment; and opinions necessarily vary as to the bearing of these considerations on the problem of unemployment. But any adequate conception of the nature and scope of the problem must have a broader base than the figures of unemployment among insured workers. The subject in its broader aspects must also include consideration of the large volume of potential labor consisting of those who are supported by savings, inheritances, and various types of income not earned as a result of the personal endeavors or activities of the recipients.

After the World War the problem of surplus labor in Great Britain involved as one of its most serious aspects the uneven and shifting distribution of employment and unemployment. The declining industries have been largely localized, as the coal mining industry in Wales and Monmouth and in Durham and adjacent areas; cotton textiles in Lancashire; and shipbuilding in the vicinities of Glasgow and Newcastle-on-Tyne. Extreme examples are London and Wales. The estimated number of insured workers in employment in London increased 15.8 per cent from June, 1923, to June, 1928, and 11.2 per cent from 1928 to 1935. In Wales on the other hand, there was a decline of 17.9 per cent from 1923 to 1928 and a further decline of 7.6 per cent from 1928 to 1935.[4] In Newcastle-on-Tyne the number of unemployed persons on the registers of employment exchanges between 1928 and 1935 was as large as 28.3 per cent of the total insured population and was never less than 15.7 per cent. The national figure for the same period ranged from 9.1 per cent to 21.7 per cent. Much more striking and exceptional are the figures for Jarrow, once a flourishing shipbuilding and engineering center. From 1927 to 1935 unemployment was never less than 26.3 per cent of the insured population, and in January, 1935, it was 81.5 per cent; and from 1927 to 1935 the insured population declined 20 per cent.[5]

The transfer of labor from declining to expanding areas, although important, has been an incidental and ameliorative aspect of the attack on unemployment, which has troubled all areas. Mere transfers, even if feasible, entail such grave problems as the abandonment of industries and the destruction of social capital. The fundamental problems were connected with the existence of unemployment in all areas and with the failure of business enterprise and of national production to expand sufficiently to employ a substantial part of the available labor.

Some Factors Affecting Volume of Employment

Many economists and employers have held that workers themselves, either individually or through organized or group action in maintaining

[4] Based on data in the *Ministry of Labour Gazette,* December, 1935, p. 458.
[5] Ministry of Labour, *Local Unemployment Index.*

a comparatively rigid wage structure, are largely responsible for unemployment in the sense that they prefer unemployment to the acceptance of work at wages within the limits of the marginal productivity of labor, that is to say, at wages making their employment profitable to employers. A widely held view is to the effect that unemployment has greater "utility" or less "disutility" than employment because means have been placed at the disposal of potential workers for living without labor. Particularly important according to many who hold this view are public policies connected with unemployment insurance and the direct relief of unemployment.[6] Another theory of employment departs in important respects from these views and attaches a larger significance to the economy of consumption and to the factors affecting the utilization of income.[7] This article emphasizes the latter point of view.

At any given time employment in private enterprise depends essentially, it is held, on whether or not employers anticipate the making of a profit or at least the avoiding of a loss from the payment of the wages of the labor employed, in comparison with possible profits or avoidance of losses from alternative uses of equivalent sums. What are the forces which bring about changes in employers' expectations of profits from the employment of labor and thereby bring about changes in the volume of employment? It is highly desirable to maintain the volume of money in appropriate relation to the volume of production and rates of interest in suitable adjustment to marginal profits. But the volume of money (including the effects of the velocity factor) and its relation to production depend vitally on the actual use of means of payments to buy the products of enterprise; and when consumers are unable to buy enough goods to employ existing plants, the interest rate as an instrument for stimulating the production of capital goods is likely to be futile if not harmful. Scientific analysis and economic policy alike, as they affect the volume of employment, often fail to go beyond the formula of supply and demand, money and prices, interest rates and marginal profits, etc., as mere statements of the terms of equations, and fail to take account of the forces, particularly those connected with the distribution of income, which affect the terms of the equations. There is a

[6] Typical views are to be found in A. C. Pigou, *Theory of Unemployment* (1933) and "Wage Policy and Unemployment," *Economic Journal,* vol. 37, pp. 355-368; J. R. Hicks, *Theory of Wages* (1932); and Sir Ernest Benn, "We're Old Hands at New Deals," *Nation's Business* (Washington), April, 1936, pp. 15, ff.

[7] Among numerous instances of these views are the works of J. A. Hobson, F. Henderson, and J. M. Keynes. Especially significant is Mr. Keynes's *General Theory of Employment, Interest and Money,* from which are derived some of the ideas and terms of this analysis of the problem. Professor A. C. Pigou's criticism in his article "Mr. J. M. Keynes's General Theory of Employment, Interest and Money," *Economica,* May, 1936, pp. 115-132, points out many flaws in terminology and comments justly on Mr. Keynes's lack of clarity, but leaves virtually untouched the essential argument relating to the vital rôle of a balanced allocation of income to consumption and investment and to factors affecting such an allocation.

slightly explored and highly significant (though admittedly difficult) terrain for expanding employment, alike of labor and capital, in a modification of the income nexus for the purpose of achieving an appropriate utilization of income for the maintenance of the productive system on an efficient basis and for the constant diversion of the full output from the stream of production into the stream of consumption.

The chief problem lies in the unavoidable incompatibility of wages as competitive production costs and wages as consumer income. Aggregate wage payments are limited in the long run by their productivity in terms of a minimum profit necessary to induce their use in the employment of labor. The amount that employers are willing to allocate to wage payments is also limited by the fact that they are free to shift a part of their investments from the purchase of labor to the purchase of labor-saving facilities if they believe that these will reduce the costs of production or augment the net proceeds from the use of capital. Thus there is in a sense a "wages fund," which is restricted in amount by employers' expectations of profits. Competing employers formulate their schedules of wages and employment substantially on the basis of labor as an element in their cost of production without direct consideration of the laborer and his wages as elements in consumption (the complement of production) and in the income nexus between production and consumption. But wages also constitute income, and an essential economic function of income is the removal, for consumption, of the products of enterprise, thus clearing the way for continued production. In a society composed predominantly not of small operating proprietors but of jobholders dependent on their jobs, the more perfectly wages function as an element in the production stage (that is, the lower the labor cost), the more imperfectly are wages likely to function in the consumption stage (in the removal of the products of labor to make way for continued production). This tendency is limited but far from counteracted by reductions in prices and by recognition of the fact that low wage rates are not identical with low production costs. Thus the prevailing mode of allocating wage payments interposes an obstacle in the way of full employment alike of labor and of capital. The tendency of competitive wages is to restrict employment by contracting the consumption basis of employers' expectations of profits from the hiring of labor. To the extent that employers are under competitive compulsion in limiting wage costs, this tendency can be overcome only by an expansion of foreign trade or by some expedient, such as the social wage, beyond the automatic functioning of competitive enterprise.

Labor Productivity and Unemployment

Thus in Great Britain income and the manner of its allocation to consumption and investment are the principal ultimate factors in the de-

termination of volume of employment. Changes in the average output of labor must also be considered. Their effects on volume of employment can be estimated only when their effects on demand and volume of production are known. Let it be assumed that changes in average output per employee (there being no changes in hours) do not affect the demand for output (or indirectly, the volume of production). If A equals total output and B equals average output per employee, then $\frac{A}{B}$ equals the number of employees. If $B + X$ equals average output, then $\frac{A}{B+X}$ equals the number of employees. If $B - Y$ equals average output, then $\frac{A}{B-Y}$ equals the number of employees. On the other hand, B may remain constant and A may change. And finally, both A and B may, and usually do, vary at the same time, but the two factors, associated primarily with elasticity of demand and technological changes, are interdependent and in most cases cannot be isolated or reduced to separate statistical analysis.

In a country with a stationary labor supply there must be an expansion of output at least equal to any increase in labor productivity if such an increase is not to be accompanied by a labor surplus. If one worker formerly made four pairs of shoes per day and the total number of shoemakers was 100, the total output was 400 pairs. If one worker now makes five pairs, the demand for shoes must now be 500 if the 100 men are still to be employed in the making of shoes: the increase of 20 per cent in productivity must be accompanied by an increase of 20 per cent in total output if there is to be no reduction in the number of shoemakers. On a national scale, the total output of goods and services must increase at least in the same ratio as average output if there is to be no reduction in the total amount of labor accompanying an increase in average output, although reductions in hours of labor would affect the number of employees.

But the net labor supply is ordinarily augmented by a growth of the working population. The number of insured workers 16 years of age and over in Great Britain and Northern Ireland increased 5.6 per cent from 1923 to 1927, and the number from 16 to 64 years of age 10.8 per cent from 1927 to 1935. Because of the normal growth of the labor supply, the demand for the output of labor must ordinarily expand more rapidly than the rise in average output per worker if there is not to be an increase in the amount of surplus labor.

The possible effects of increased demand on prices must be considered, but when there are safeguards against monopoly prices, when there is idle labor and capital, and when production costs are falling because of a

rise in labor productivity, an increase in demand normally means an increase in total production. A rise in average output, insofar as it depends on new machinery or equipment, is ordinarily preceded by a temporary increase in employment in the capital-goods industries. While this temporary employment lasts, there is usually some increase in employment in the making of consumption goods; but this may not be the case because those already engaged in making consumption goods may be able to supply the additional demand arising from new capital-goods employment. In any case the additional capital-goods employment is mainly for the purpose of increasing the productivity of labor in the making of consumption goods. Therefore the ultimate effect of this increased productivity on volume of employment must depend on the allocation of an adequate proportion of income to consumption. For idle income and excessive investment bring deflation and impaired production as a counterpart of impaired demand. These basic facts were long obscured by emigration and by Britain's favored position in world markets, which tended to reduce the unemployment arising from a deficient allocation of domestic income to consumption. In recent decades the problem of controlling the allocation of domestic income has become increasingly urgent.

Industry's Loss of Power to Expand in World Markets

After the period of the Industrial Revolution and of political *laissez faire* accompanying it, Great Britain depended for economic re-adjustment very largely on expanding markets to absorb the ever-increasing output of labor under the régime of the factory and the machine. The stresses and strains of periods of temporary interference with the persistent process of expansion were relieved by an acceleration of the rate of emigration.

Alterations in world economy gradually slowed down the rate of expansion, brought it to a stop, and at length reversed the trend. This process was accelerated by the World War. In the Empire comparatively slight war losses were experienced, while at the same time the stimulus of war industries greatly increased the demand for industrial products as well as raw materials and food. There was an increasing tendency toward nationalism and a desire for self-sufficiency on the part of Canada, Australia, South Africa, and India. In Germany the period of post-war reconstruction and rationalization created an industrial machine of exceptional efficiency. This process was probably facilitated by the ban on armaments embodied in the Treaty of Versailles and the resulting utilization of resources for normal productive enterprises. In France the recovery of Alsace-Lorraine with its extensive basic resources and industrial equipment gave to the French a competitive basis previously lacking. Even the reconstruction of the devastated areas, by affording employment for labor and for productive facilities, tended to stimulate the industrialization and competitive strength

of France. The supplying of war needs by the United States and the maintenance of world markets for American exports by means of post-war loans stimulated a rapid mechanization and industrial development in the United States. In Russia the peculiar conditions existing after the war and the Revolution, combined with the difficulties encountered in respect to international relations, gave a powerful impulse to the movement for economic self-sufficiency and industrial development. The carrying out of the First Five-Year Plan and the Second Five-Year Plan transformed Russia into a powerful industrialized country in quest of world markets to supplement her internal economy. The rapid mechanization of Japanese industries on the basis of the most recent technological developments and with comparatively low production costs enabled the Japanese to wrest from the British a large portion of their Far Eastern trade, especially in the field of the textile industries. Shifting monetary policies and the building up of national trade barriers throughout a large part of the world, including even some portions of the Empire, further accelerated the comparative decline of Great Britain in world economy.

The Royal Commission on Unemployment Insurance described the experience of British industry after 1913 as characterized by a "loss of the power to expand." The annual average of exports of cotton manufactures from 1928 to 1930 was 46.5 per cent less than the amount exported in 1913; the amount of woolen and worsted goods exported declined 29 per cent; and the amount of coal, 27.5 per cent. The share of the United Kingdom by value in world exports fell from 13.9 per cent in 1913 to 11.2 per cent in 1928.[8] The exports of British produce fell 25 per cent from 1924 to 1934 and 42.3 per cent from 1913 to 1934. The exports of cotton piece goods declined from 7,075,252,000 linear yards, valued at £97,775,855, in 1913 to 2,059,760,400 linear yards, valued at £39,820,026, in 1934, and there was a further slight decline in 1935.[9]

The traditional dependence of the British on opportunities for emigration during periods of temporary economic recession was no longer possible. The historic movement of population from the British Isles continued up to the beginning of the World War. The average annual emigration during the decade from 1905 to 1914 was about 362,000. Much more than half of the emigration went to the colonies.[10] In 1930 the net passenger movement to and from the United Kingdom shows a balance inward instead of outward. In 1931 the inward balance was 90,703, and in 1934, 54,509. As early as 1931, persons of British nationality alone emigrating from the United Kingdom numbered 34,310, and immigrants of British

[8] Royal Commission on Unemployment Insurance, *Final Report,* 1932, p. 95.

[9] London and Cambridge Economic Service, *Monthly Bulletin,* February 23, 1935, p. 54, and *Special Memorandum No. 41,* August, 1935, p. 2; *Board of Trade Journal,* September 24, 1936, p. 430.

[10] W. Page, *Commerce and Industry,* vol. 2, p. 31.

nationality to the United Kingdom numbered 71,382.[11] The cessation of emigration during the period of extreme and prolonged depression called attention acutely to the altered conditions under which it was necessary for the British to attempt industrial readjustment.

The Social Wage

The decline of many of the basic industries was accompanied by the growth of service industries and of many manufacturing industries in other communities, especially in the south of England. The difficulties of the depressed areas were mitigated by the retraining and transfer of some of the workers. Modernization and rationalization were encouraged but were largely negative in merely checking the decline of British competitive power. Subsidies were granted to maintain coal mining and agriculture above their natural competitive levels, and tariffs were enacted to protect the home market.

The adoption of protective measures and subsidies for enabling British producers to supply the home market is a significant indication of the abandonment of the historic policy of dependence on economic "laws" underlying the free-trade school of economic thought. This abandonment was viewed by some as a matter of principle and by others as a mere expedient dictated by conditions prevailing in other countries. Similar differences of opinion exist as to another vital change in British policy in connection with the effort to adjust British economy to its "loss of power to expand" in world markets. This other policy involves in effect if not in design the allocation of national income by means of taxation and various forms of social legislation. Private enterprise directs the flow of income into the channels of wages, profits, rents and interest in the form of rewards to the "factors of production" as traditionally defined. National policy has not obliterated these channels but has altered their relative importance and has diverted a part of the flow into new channels, especially into what has been termed the social wage. Unemployment insurance, unemployment relief, health insurance, old-age pensions, housing subsidies, education, parks, public utilities, and a variety of social services have absorbed an increasing proportion of the national income. Some of these forms of state activity may be defined as a special aspect of the social wage. Public ownership and maintenance of public utilities involve direct public investment and direct socialization of income rather than a diversion of private income into new channels. From the point of view of the effects on the distribution of income, the coöperative societies have similar aims—the curtailment of profits and an expansion of real (not necessarily monetary) income, together with a wider diffusion of income.

The national policy of developing and maintaining social services, such

[11] *Statistical Abstract for the United Kingdom*, Seventy-ninth Number, pp. 12-13.

as health insurance, was inaugurated before the World War. The development of the policy and the rapid expansion of revenues and expenditures in connection with the policy are shown by comparative statistics for the years 1913-14 and 1923-24 and the subsequent period. Exchequer receipts of the United Kingdom in 1913-14 totaled £198,243,000, and in 1923-24, £837,169,000. The wholesale price index in 1923 was 59 per cent higher than in 1913. Exchequer receipts in 1929-30 totaled £814,970,000, and the wholesale price index in 1929 was 37 per cent above 1913. Revenues increased during the years of extreme depression, and declined slightly by 1934-35 to £804,629,000, the wholesale price index in the meantime having fallen to approximately the 1913 level. Thus there was more than a fourfold increase in exchequer receipts between 1913-14 and 1934-35. Taxes in 1913-14 (as distinguished from post-office receipts, fees, etc.) amounted to £163,029,000 or 82 per cent of total receipts. In 1934-35 taxes amounted to £709,812,000 or 88 per cent of total receipts. In 1913-14, surtaxes and supertaxes amounted to only 2 per cent of all taxes; in 1923-24, to 8 per cent; and in 1931-32, to 10 per cent. In 1934-35 surtaxes and supertaxes amounted to £51,165,000 or 7 per cent of the total, the reduction being accompanied by an increase in customs revenues.[12]

In 1913-14 the expenditures of the central government of the United Kingdom for the civil services (excluding the armed forces, post office and the revenue services) amounted to £53,901,000; in 1923-24, to £239,366,000, a fourfold increase; and in 1934-35, to £345,640,000, somewhat more than a sixfold increase. In 1913-14, expenditures under the general heads of health, labor, and insurance (the principal recent social services) amounted to £13,805,000; in 1923-24, to £59,364,000, an increase paralleling that of all the civil services; and in 1934-35, to £150,819,000, an increase of elevenfold over 1913-14.[13] The amount paid in the United Kingdom in the form of old-age pensions in 1914 (including Ireland) was £12,371,000, and in 1935 (excluding the Irish Free State), £43,104,000.[14]

Public activities such as may be described under the general heading of services connected with the social wage are carried on more extensively by local authorities than by the national government. Total receipts from all sources by local authorities in England and Wales increased from £169,325,000 in 1913-14 to £395,967,000 in 1923-24. With wholesale prices approximately at the same level as in 1913, total receipts in 1932-33

[12] *Statistical Abstract for the United Kingdom,* Seventy-ninth Number, pp. 154-155, 238. For detailed analysis, see J. Sykes, *British Public Expenditure, 1921-1931,* (1933); U. K. Hicks, "Some Effects of Financial Policy on the Distribution of Income in Great Britain since the War," *International Labour Review,* November, 1936, pp. 594-617.

[13] *Statistical Abstract for the United Kingdom,* Seventy-ninth Number, pp. 158-159.

[14] *Ibid.,* p. 85.

were £537,143,000, more than three times as large as in 1913-14. An important source of the receipts of local authorities was the revenue from public utilities or "trading services," such as municipally owned water works, electricity and gas undertakings, and transportation systems. Receipts other than from loans for capital works increased from £149,348,000 in 1913-14 to £349,432,000 in 1923-24 and to £441,649,000 in 1932-33.[15] Approximately one-third of the receipts other than from loans for capital works was in the form of returns from socialized capital. The experience of British municipalities in the ownership and operation of public utilities has resulted in a diversion of the income of these enterprises from interest, dividends, and profits to low-cost services and reduced rates of taxation affecting the general population of the municipalities.

The expenditures by local authorities in England and Wales[16] in connection with "trading services" involving socialized investment may be illustrated by electricity supply. Expenditures for electricity supply, including expenditures out of loans for capital works, increased from £7,089,000 in 1913-14 to £26,053,000 in 1923-24. Between 1923-24 and 1932-33 the expenditures approximately doubled, the sum in the latter year being £45,057,000.

In addition to the extensive progress in the socialization of the investments, revenues and services connected with public utilities, the local authorities of England and Wales greatly increased their expenditures for various purposes associated with the needs of the masses of the people, such as could not be met by means of individual income even in the case of employed workers. Expenditures increased most significantly for education, public libraries and museums, public health, housing, and town planning. In connection with housing, local authorities retained ownership of a large proportion of the houses, and in many cases, especially in the depressed areas, the payment of rents was from relief funds or by means of special arrangements for caring for the unemployed. Many of the housing projects exemplify significantly the policy of socialized investment.[17]

Many of these expenditures came from wages and from taxes on incomes which would in any case have been spent in such manner as to sustain a balanced system of production and consumption.[18] But proponents of the social wage hold that when its cost falls on incomes in excess of needs for consumption and opportunities for profitable investment, it is economically

[15] *Statistical Abstract for the United Kingdom,* Seventy-ninth Number, pp. 210-211.

[16] *Ibid.,* pp. 218-221.

[17] *Ibid.,* p. 49; Ministry of Health, *Housing: House Production, Slum Clearance, etc., in England and Wales* (1935).

[18] There is a brief discussion of "gross" expenditures and "transfer" expenditures and of their economic significance in an article by U. K. Hicks, "Some Effects of Financial Policy on the Distribution of Income in Great Britain since the War," *International Labour Review,* November, 1936, pp. 594-617.

sound as a corrective of the natural tendency of private enterprise, in its normal allocation of income, to undermine the basis of its own operation—namely, the effective demand for its output. Historically, modern industrial societies and especially British economy found it possible to maintain themselves by an expanding market either beyond their own frontiers, as in the case of England, or by the expansion of population and capital investment over their own territories, as in the case of the United States. Even with comparatively adequate employment formerly made possible by an expanding world market and the export of capital goods and funds to undeveloped countries, the flow of income to the non-investing classes, that is, to the majority of consumers, was sufficient to purchase goods and services only for a meager standard of living. Recent conditions merely made more obvious the limitations on consumer demand in the home market inherent in the normal flow of income.

Private enterprise with its normal controls of the allocation and use of income has confronted a series of dilemmas. Expansion in the world market on the basis of Britain's traditional competitive superiority is no longer possible. Emigration as a recourse for surplus labor is at a standstill and has an uncertain future. Profitable operation of enterprise on the basis of a protected home market gives a temporary stimulus to investment and affords an enlarged market for certain types of output but raises grave questions as to the effect on the capacity of other countries to buy English goods and to pay for the use of British capital, shipping facilities, and other services. An abnormal expansion of such activities as the construction of armaments adds to employment but the expansion must be viewed in the light of the reaction from the ultimate cessation of extraordinary and non-productive expenditures. Reduction of the costs of production by means of modernization and increased average output of British labor may check the decline of British exports or even suffice to raise exports above recent low levels, but the employment of the unemployed and the removal from enterprise of the burden of unemployment relief require a large expansion of demand and total production. Unless there is such an expansion, the reduction of the amount of labor per unit of output is necessarily accompanied by a reduction (even if it is not the ultimate cause of the reduction) of the total amount of employment.

New conditions have invalidated the complacent economic doctrine that the profits of enterprise and of labor-saving techniques automatically return to labor-producing channels. Jobs depend on profits. Profits under mass production in such a highly industrialized country as Great Britain depend vitally, under restricted non-industrial and foreign markets, on sales to the industrial population; and purchases by workers depend on jobs. It is now widely recognized that job holders and their dependents afford the principal market for consumption goods. But the employees of any given employer

form so small a part of the market for his particular product (in some cases no part at all) that competitive pressure forces him to dismiss employees or to curtail their working time and wages in order to be able to sell his goods in the general market; and the general market is restricted by the almost universal effort to reduce labor costs. Since those who have income beyond their own needs for consumption depend for its profitable investment on the consumption of the output of enterprises in which they invest, there is a progressive accumulation of unproductive income. There follows a process of deflation, accompanied by abnormal unemployment, using up of reserves, and obsolescence of plant. This in turn is followed by an upturn, based on replacement, rationalization, and modernization, and the cycle is repeated. In the admittedly complex phenomena of crises and depressions, these facts are fundamental to an understanding of the recurring inability of industry to function profitably. This is the dilemma from which unrestricted or "free" enterprise, with its traditional modes of income distribution and utilization, found no escape unaided by public policy.

It is from this dilemma that the social wage would rescue private enterprise. Its effectiveness depends primarily on the incidence of its cost. If the cost falls upon incomes which would be effectively utilized by the owners either for consumption goods or for the carrying on of productive enterprises, the economic gain is doubtful, even though there may be a social advantage. Thus the system of taxation is an essential part of the economic basis of the social wage.

In considering the effects of the social wage on volume of production and employment, it is necessary to keep in mind the incidence of its cost, which has fallen in no small measure on incomes which would in any event have been effectively utilized.

The economy of Great Britain as a whole after the World War exhibited a comparatively high degree of stability. Many industries and many areas declined; but for the country as a whole production, income, employment, and the morale of the population were maintained in a measure that compares favorably with most of the other countries of the world. The Board of Trade's annual index of industrial production shows a maximum variation of only 20 per cent from 1924 to 1934, although the Federal Reserve Board's index for the United States shows a variation of 86 per cent.

But the dilemma of British economy persists. The paradox, often described as the existence of want in the midst of plenty, is more accurately the prevalence of surplus labor and capital and productive power on the one hand, and on the other hand a widespread deficiency of goods and services necessary for the comfort and security of a large part of the population. Economically the essence of the problem is the conversion of labor surpluses from a national liability to a national asset. Great Britain has traditionally

been committed, for the solution of the problem, to private enterprise operating with a minimum of restrictions in a competitive world market. The country has now tried to take at least the initial steps toward the assumption of public responsibility and toward a national economy. This national economy is not, to be sure, within a closed domestic circle. But there has been a fundamental shift of emphasis to the possibilities of a domestic economy expanded and maintained on the basis of public intervention for continuing the complementary aspects of production and consumption through the flow of income. Great Britain has perhaps been in a favorable position financially to make such an experiment because of her vast accumulation of overseas investments and the comparatively steady flow of income therefrom. But is the experiment, aside from the coöperative movement and the socialization of investment in certain public utilities, merely a matter of living on accumulated fat? If so, the outcome may at least be significant, when the fat is exhausted, as an indication of the limitations of the public authority of a country so largely dependent on world economy as Great Britain in the indirect control of enterprise.

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WINDFALL TAX AND PROCESSING TAX REFUND PROVISIONS OF THE 1936 REVENUE ACT

The invalidation of the processing and other associated taxes levied under the Agricultural Adjustment act involves a tremendous potential burden to the federal Treasury, both in the loss of taxes unpaid through delay or by court order (and now uncollectible), and in the possible necessity for the refund of sums illegally collected. There is considerable evidence that in most cases the processors have already passed on to others the burden of these taxes, so that their retention by or refund to processors would constitute "unjust enrichment." Congress has sought to recapture unpaid taxes and prohibit refunds unless the processor demonstrates that he has himself borne the burden of these invalidated taxes. The background of these provisions is explained and the nature of the economic proof required is outlined and analyzed in its relation to economic theory and to the experience of the processing industries concerned.

The decision of the United States Supreme Court on January 6, 1936, invalidating the processing and kindred tax provisions of the Agricultural Adjustment act, involved a loss to the federal Treasury in refunds and unpaid taxes potentially reaching the sum of one and one-quarter billion dollars. Title VII of the Revenue act of 1936 imposes a limitation on the right of processors to reimbursement of these taxes, the limitation consisting of the requirement of proof by a claimant that he absorbed the burden of the tax he paid and did not shift it to others. Title III similarly imposes an income tax of 80 per cent on the "unjust enrichment" of processors or others due to the non-payment of these taxes, to the return of taxes impounded under court order during the period of litigation over the Agricultural Adjustment act, or to refunds of taxes received by customers from their vendors. All such unpaid taxes and refunds are considered "unjust enrichment" unless the person concerned can show that he either has borne the burden of the tax concerned or has made a refund to his customer. Both of these provisions are based on the proposition that the burden of a processing tax can be demonstrated, at least so far as concerns the ability of an individual to show whether it did or did not rest on him.

Since the statute forges a new link in the chain binding economic principles to legal procedure, by suggesting the type of proof of the absorption of the taxes which the government will require or allow, it is of interest to economists to examine the economic basis of these provisions.

Under the Agricultural Adjustment act of May 12, 1933, and its subsequent amendments, taxes were levied and collected upon the "first domestic processing" of nine so-called "basic agricultural commodities."[1] The proceeds of these taxes, as is well known, were to be used to finance the agricultural program elsewhere provided for in the Act. It was anticipated that, although these taxes were to be collected from processors of these

[1] These commodities included corn, cotton, hogs, peanuts, rice, rye, sugar, tobacco and wheat. Separate taxes were specified for each of the six principal types of tobacco.

commodities, they would in the main be shifted by means of price adjustments to the purchasers of the processed articles and the burdens would ultimately be borne by consumers.

This intention is clearly seen in several provisions of the original Act. In the case of contracts for the sale of processed articles drawn prior to the initiation of any processing tax and executed after such tax became effective, the vendee was required either to pay the tax or to make a suitable adjustment with the vendor. On the exportation of any taxed commodity or articles processed therefrom, the exporter was entitled to a full refund of the tax on mere proof that the tax had actually been paid on the commodity concerned.[2] On delivery of any taxed products to any organization for charitable distribution or use, any person could receive a refund upon submitting satisfactory proof that he had either refunded or agreed to refund the tax to the organization, or that the tax was not included in the price he received. In the case of most commodities, on the dates when processing taxes became effective, equivalent taxes were levied on the floor stocks of processed articles in stock on that date. (Stocks in retail stores were excepted if disposed of within 30 days.) Similar provision was made for the refund of like amounts to the holders of floor stocks upon the termination of any processing tax. Import compensating taxes equivalent to processing taxes were levied on the imports of processed articles similar to those subject to the domestic processing tax. Finally, if the Secretary of Agriculture found, after due procedure, that a processing tax resulted in the competitive disadvantage to a processor by reason of the substitution of competing commodities, he was empowered to proclaim such finding, whereupon a processing tax was to be levied on the competing commodity.[3] There is thus ample evidence that it was the expectation of Congress that processors should in effect act as agents of the Bureau of Internal Revenue in collecting these processing taxes.

After the Schechter decision by the Supreme Court early in 1935 invalidating the National Recovery act, some doubt was felt concerning the validity of the Agricultural Adjustment act as originally enacted, especially as regards the delegation of power to the Secretary of Agriculture to initiate and determine the rates of taxes. Certain amendments were passed in August, 1935, in an attempt to remedy these defects, by ratifying the taxes previously levied. Further to safeguard the Treasury in case the

[2] The amounts of refunds (and the rates of floor-stocks taxes and import compensating taxes mentioned later) with respect to the various products from a given taxed commodity were computed by means of "conversion factors" based upon the relative amounts (and in some cases values) of the respective products customarily obtained from a unit of the commodity. These conversion factors were worked out by the officials of the AAA in conference with representatives of the processing industries concerned.

[3] Such compensatory processing taxes were actually levied only on certain paper and jute products competing with cotton articles.

taxes should nevertheless be held invalid, legislation designed to prohibit any refunds of these taxes was considered.[4] There was so much doubt as to the constitutionality of such a provision, however, that the amendment as finally passed provided rather that "no recovery . . . shall be made or allowed of . . . any amount of any tax [collected under the Agricultural Adjustment act] . . . unless . . . it shall be established . . . that neither the claimant nor any person directly or indirectly under his control . . . has, directly or indirectly, included such amount in the price of the article with respect to which it was imposed . . . or passed on any part of such amount to the vendee or to any other person in any manner, or included any part of such amount in the charge or fee for processing, and that the price paid by the claimant or such person was not reduced by any part of such amount." This is the heart of section 21(d) of the amendments of August 24, 1935.

Under the general statutes, provision is made for the refund of any taxes that are illegally collected, upon mere proof that the illegal levy has been paid by the claimant. The justification for the imposition of the above restriction was the widespread feeling that most processors had not, as a matter of fact, themselves borne the burden of these taxes. The legal principle involved was that of the prevention of the "unjust enrichment" which refunds under such conditions would constitute. There was ample legal precedent for such burden of proof being laid on refund claimants, in the provisions of the Revenue act of 1928 with regard to the refund of the automobile accessories taxes illegally collected.[5] The immediate effect of the enactment of this refund provision was the institution of several hundred suits on the part of processors to enjoin the further collection of processing taxes, on the ground that section 21(d) imposed an impossible burden of proof on a claimant and thus constituted an invasion of due process if the processing taxes should eventually be declared invalid. A few processors continued to pay their tax assessments, but the processing tax payments dwindled to a mere trickle after midsummer of 1935. Some of the amounts involved were deposited by processors under instructions of the courts and were impounded pending the decision regarding the validity of the Agricultural Adjustment act. In other cases, processors resorted to many types of postponement and evasion.

[4] H.R. 8492, introduced on June 14, 1935, contained such a provision prohibiting all suits for refund of taxes collected or accrued before the date of the amendment proposed.

[5] Section 424 contains the provision, among others, that "no refund shall be made of any amount paid by . . . any manufacturer . . . in respect of [the automobile accessories tax] unless . . . it is established to the satisfaction of the Commissioner that . . . such amount was not collected, directly or indirectly, from the purchaser or lessee, or that such amount, although collected from the purchaser or lessee, was returned to him. . . ." This provision was upheld by a unanimous decision of the Supreme Court on February 12, 1934, in the Jefferson Electric case, delivered by Mr. Justice Van Devanter. Note the close correspondence with the wording of section 21(d) above quoted.

On January 6, 1936, the Supreme Court handed down the famous "Butler" or "Hoosac Mills" decision, declaring the processing tax and benefit payment provisions of the Agricultural Adjustment act invalid in their entirety. A week later, a decision was rendered in the so-called "Rice Millers' case," resulting in the return of all impounded taxes to processors. Although the Court found it unnecessary to rule on the legality of section 21(d), it is instructive to notice briefly the arguments that were advanced by the rice millers against this provision, in their brief to the Supreme Court. The following contentions were made.

(1) Section 21(d) was unreasonable and contrary to due process, because its wording prohibited any refund whatsoever, if even a small part of the tax had been passed on to others.[6]

(2) "Congress has enacted into law an economic *theory* which has been the subject of acrimonious debate among scholars for more than a century. Despite all this study of the question of whether a tax, such as is here involved, is borne by the taxpayer or is passed on by him to others, no one has yet been able to make *factual* proof or disproof of the theory. . . ."

(3) In rice milling, if not in all processing industries, proof of the burden of such a tax is impossible. The tax is merely one expense of operation and "becomes inseparably commingled with all other costs of doing business and is no more capable of separate consideration to determine its effect on the purchase price or the sale price of the article processed than would be any other item of operating expense."

(4) The processing tax was levied with respect to specific lots of rough rice. In rice milling, it is impossible to trace in each lot of cleaned rice the exact sources of the raw materials, and thus to determine exactly how much tax was paid on the rice contained in a particular sale. The "conversion factors" were computed for other purposes and in any case were arbitrary figures. In short, it was maintained that cost accounting practice could not demonstrate and measure the incidence of a tax.

Finally, the rice millers "again challenge the government to suggest *how* the proof required by sec. 21(d) can be made. . . ."

The decision in the Rice Millers' case, prohibiting the collection of impounded and other unpaid taxes, introduced a new factor into the attempt to prevent the "unjust enrichment" of processors who have not borne the burden of the taxes assesssed against them. The recapture of

[6] This interpretation of this refund provision had never been entertained by any of its sponsors and appears to many persons to do violence to the plain wording of the section. The words, "or passed on *any part of such amount*" was intended to refer to the amount *to be recovered* by the taxpayer and not the tax. The above interpretation nevertheless was made by the judge of a district court on May 19, 1936. (Edwin Cigar Co., Inc., *et al. v.* Joseph T. Higgins, Collector of Internal Revenue, Southern District of New York, No. 508, Judge Hulbert.) For certain legal reasons, this decision was not appealed by the government. The decision emphasized the desirability of clarifying the wording of the refund provisions.

unpaid taxes was added to the prevention of refunds as the objective; for if the refund of taxes they had paid would constitute a double reimbursement to processors, then clearly the escape from the payment of taxes already passed on to the consumers or others would be identical in effect.

The two phases of the matter required separate legislative action. First, the refund provisions of the Agricultural Adjustment act were strengthened, and second, a corresponding "windfall tax" or tax on "unjust enrichment" was levied to recapture impounded and other unpaid taxes whose burden had been passed on in any manner. This tax took the form of an income tax at the rate of 80 per cent of "that portion of the net income from the sale of articles with respect to which a federal excise tax was imposed on such person but not paid which is attributable to shifting to others to any extent the burden of such federal tax"—or a like tax of 80 per cent of the net income from reimbursements, refunds or credits of such taxes.

It was thought desirable to enact a substitute for the refund provisions of section 21(d) above described because of two considerations. In the first place, after the declaration of the invalidity of the taxes levied under the Agricultural Adjustment act, it was apparent that the procedure necessary under section 21(d) would be too cumbersome to be workable. Under that section, a formal hearing had to be held on each claim for refund and a formal record prepared for use before the courts in possible litigation concerning the claim. With the thousands of claims that were sure to be presented, the procedure necessary to prepare satisfactory records would not only be interminable but would probably cost the government about as much as the sums involved in the claims for refund. Appeals from the awards would also be likely to tie up the federal courts for years.

In the second place, it was felt advisable to elaborate the refund provisions (as well as the "windfall tax" provisions) by suggesting the type of proof of absorbing the burden of the taxes which the government would be required to accept in justification of a refund or in defense against a "windfall tax" assessment. This elaboration would serve two purposes. First, it would instruct processors how to proceed in making their showing that they had absorbed the burden of a tax (if this was the case) and, second, it would strengthen the legal status of the refund provisions. The Rice Millers' case, above referred to, had shown the danger that an argument might be presented to a court which was on first sight convincing, that section 21(d) laid an unreasonable burden of proof on processors.[7] Then an elaboration of the economic principles involved was felt to be desirable,

[7] One Federal District Judge (Judge Barnes, Northern District of Illinois, Eastern Division), in granting a temporary injunction against the processing tax on hogs had said on August 1, 1935, "I cannot figure out how a processor, assuming that he sells the pork and sells it for more than the amount of the processing tax, would ever be able to prove he did not pass on the tax. I have not been able to figure that out. I do not think he could. I do not think as a practical proposition he could, so I think those are just words, just words that mean nothing."

as well as a clarification of the intention that a processor could receive a refund of the remainder of a tax if he had passed on only a part of it. In other words, the challenge of the rice millers for "the government to suggest how the proof required by sec. 21(d) can be made" was accepted.

Before proceeding to consideration of the economic principles involved in the refund provisions, it might be well to note the importance of the whole matter in terms of the amounts of money involved. A total of some $963,000,000 in processing and other taxes under the Agricultural Adjustment act was paid into the Treasury and is thus subject to claims for refund.[8] As nearly as can be estimated, some $310,000,000 were involved in taxes that were impounded by the courts and later returned, or that were otherwise unpaid. An 80 per cent tax on this sum amounts to nearly $250,000,000. In other words, a total of about $1,210,000,000 to the government is involved in the successful defense and administration of the "windfall tax" and the refund provisions of the Revenue act of 1936.

A better way, perhaps, of appreciating the significance of the amounts involved is to compare the taxes (paid and unpaid) in certain of the industries with the normal amounts of profits as reported by these industries for income-tax purposes. The years 1927 to 1929, inclusive, are taken as representing pre-depression conditions. The following table indicates that the amounts subject to possible refund and to tax, for the three most important industries involved, total several times the annual net profits.

COMPARISON OF AMOUNTS SUBJECT TO REFUND AND WINDFALL TAX, WITH AVERAGE ANNUAL PROSPERITY PROFITS, FOR THREE MAIN PROCESSING INDUSTRIES

Industry	Amounts involved[1] (AAA taxes)	Av. annual net profits 1927-29[2]	Taxes relative to annual profits
	(Million dollars)	*(Million dollars)*	
Cotton	323	36	9 times
Hogs	249	13[3]	19 "
Wheat	315	34	9 "

[1] These amounts include processing, import compensating and floor-stocks taxes paid, and 80 per cent of the estimates of unpaid taxes.

[2] Computed from income data published annually by the Bureau of Internal Revenue of the Treasury Department, in *Statistics of Income.*

[3] Assuming that the business and profits of meat packers were evenly divided between the processing of hogs and other animals. The total packers' profits were $25 million.

It is not suggested that all refunded and unpaid taxes would constitute profits to these processing industries; for in some cases large amounts have been or will be returned to vendees, in accordance with sales contracts. (These vendees are then subject to the "windfall tax," unless they can

[8] This amount is divided among the various commodities and the different kinds of taxes as follows. These figures represent collections up to June 30, 1936, including small amounts representing credits accruing since the Hoosac Mills decision. (Taxes

show that they bore the burden of the tax and did not pass it on down the line.) This comparison does, however, give some conception of the amounts involved. When several years' profits may hinge on a legal battle, it will not be surprising if vigorous efforts are made by processors to escape the burden of proof of absorbing these taxes as a condition of refund or non-payment.

We come, then, to a consideration of the economic principles underlying the refund and "windfall tax" provisions of the Revenue act. Since the economic provisions of these two Titles are practically identical, reference will be confined to Title VII, which lays down the conditions under which refunds may be secured of any amounts collected under the Agricultural Adjustment act[9]—namely, that a claimant establish that he bore the burden of that part of the tax the refund of which is sought and that he has not been

collected under the Bankhead Cotton act, the Tobacco Sales act and the Potato act are not included in this table or in any of the discussion in the present study.)

(All figures are in thousands of dollars)

Commodity	Processing	Import compensating	Floor stocks	Total
Corn	11,063	100	1,108	12,271
Cotton	182,923	4,131	59,027	246,081
Hogs	263,737	550	6,322	270,609
Paper and jute	8,711	1,060	3,333	13,104
Peanuts	3,705	5	—	3,710
Rice	513	182	—	695
Rye	139	36	—	175
Sugar	83,503	6,070	12,049	101,622
Tobacco	61,193	447	2,400	64,040
Wheat	236,898	120	13,906	250,924
TOTAL	852,383	12,703	98,144	963,230

[9] An additional title of the Revenue act (Title IV), to which reference has not yet been made, provides for the reënactment of certain of the sections of the Agricultural Adjustment act to the extent of allowing the payment of export and charitable refunds subsequent to January 6, 1936, on goods processed prior to that time. Provision is also made for the payment to others than processors of "bounties" on their floor stocks held on January 6. As above noted, the original Act contemplated such rebates on floor stocks on the termination of any processing tax as the logical counterpart of the initial floor stocks taxes. The method of termination of the taxes by the decision of the Supreme Court gave rise, however, to some doubt whether these refund provisions still remained valid. To discharge the moral obligation implied, therefore, provision was made and an appropriation has actually been set aside to cover payments on floor stocks held on January 6, 1936, upon a simple demonstration that the holder had not been reimbursed for the tax burden he had borne on these stocks. These sums are payable regardless of whether or not the processing taxes had been paid with respect to the commodities represented by these floor stocks. Since this payment is in the nature of a gift by the government rather than a legal right of the recipient, the determination of the Commissioner regarding the merits of each claim is made final, no court action being allowed on such claims. Processors must obtain payments from the government on their January 6 floor stocks under Title VII in the form of refunds of taxes actually paid.

reimbursed therefor nor shifted such burden "in any manner whatsoever."[10]

The broad basis of the refund provisions is identical with that for all economic theory—namely, that most economic phenomena have some rational and continuing relationship with each other which is susceptible of generalized statement and objective demonstration. Specifically, it is maintained that if a producer is suddenly made responsible for the payment of a tax which is proportional to the volume of his use of his main raw material, and which is very heavy in comparison with its cost, and if a few months later he is suddenly relieved of this payment, the effect of this tax on his business is susceptible of demonstration.

It is recognized that the proof of the incidence of a tax is a matter of economic and statistical inference rather than of simple and easily ascertained fact. This inference is to be established by an examination of all of the related facts and their synthesis in the light of our knowledge of their normal relationship under competitive or other observed conditions. We are not concerned with the whole problem of the incidence of a tax, but only with the question of whether or not the incidence of this tax did or did not rest on a particular set of economic agents—namely, the processors.

Our problem of inference consists in comparing the prices received and the prices paid by a processor at the time he was paying the processing tax, with what these prices *would have been at that time* in the absence of the tax but with all other conditions as they were. The inferential nature of the problem is obvious, since "what would have been" is an inference rather than a simple objective fact.[11] If actually, upon initiation of the tax, there were no other significant changes in any of the economic factors entering into the business of processing, then a comparison of the periods immediately preceding and succeeding the date of the initiation of the tax would logically be substantially equivalent to the desired comparison. (Similarly for the comparison of periods before and after the *termination* of the tax.) Specifically, if there were no changes in processing costs, in prices paid for raw materials or in the competitive situation determining the supply of or demand for the products of the industry, then any change in the prices charged for the product might logically be attributed to the tax.

[10] A second independent basis for a refund is a demonstration by the claimant that he has repaid unconditionally such an amount to his vendee who bore the burden and who will not otherwise be reimbursed therefor. Since this basis of refund is a mere factual matter without economic implications, it will not be discussed in any more detail.

[11] We must be careful not to accord too much significance to this differentiation between a simple fact and an inferential conclusion. The careful distinction is made in order to emphasize the nature of the proof that is necessary, rather than to intimate that inferences are inferior to facts in their credibility or importance. Society has little hesitation in hanging a man on an inference—circumstantial evidence—if that evidence points to an inescapable inferential conclusion. The law even goes so far as to apply the very word "fact" to such an inference reached by a jury. A necessary ultimate inference evolved from the apparent facts becomes itself a "fact" in the eyes of the law. A jury considers the evidence and finds as a "fact" that the murder was committed by the accused.

It is inconceivable, of course, that in practice all factors other than the tax should actually remain unchanged for any considerable period of time. The next problem, then, consists in ascertaining what other changes did take place and in determining from past experience the independent effect of such changes. The net effect of the processing tax alone can then be ascertained by a process of elimination or subtraction.

In the case of most of the commodities that were subject to the processing taxes, the prices of both the raw commodity and the finished products are notoriously unstable. The prices of wheat, hogs, cotton, sugar, etc., fluctuate violently from week to week and sometimes from day to day in response to speculative feeling as well as to the influences associated with other

CHART I

demand and supply conditions. The prices of the finished products of these industries likewise vary widely and suddenly. It is a demonstrable fact, however, as well as being expected in theory, that the *margins* of processors between these two prices are relatively stable. In the refund provisions primary attention is therefore directed to their processing margins.

If, during the period when a processor was paying a processing tax, his margin was higher by exactly the amount of the tax than it was during a comparable period before the tax was imposed and after it was removed, then this is taken as *prima-facie* proof that the full amount of the tax was shifted to others—that the imposition of the tax was responsible for the increased margin. This is considered a *prima-facie* indication only, however; and the processor is allowed to introduce any rebuttal evidence he may have that other factors, such as increased labor costs, were responsible for a designated portion of the observed widened margin. If, on the other hand, upon initiation of the tax no increase occurred in the processing margin, this is accepted as a *prima-facie* demonstration that the burden of the

tax was borne by the processor and that he is entitled to the recovery of amounts collected from him. It should be noted that, in the case of most of the commodities, the processing tax was quite substantial, in some cases equalling or even exceeding the previous gross margin, so that the price adjustments due to the tax are quite obvious. Tobacco was an exception, the tax being minute relative to the margin, for instance, in cigarettes.

All of these matters are well illustrated by the experience found in the processing of the three commodities previously referred to. Chart I shows, for flour milling, the weekly price of wheat per bushel in Minneapolis and

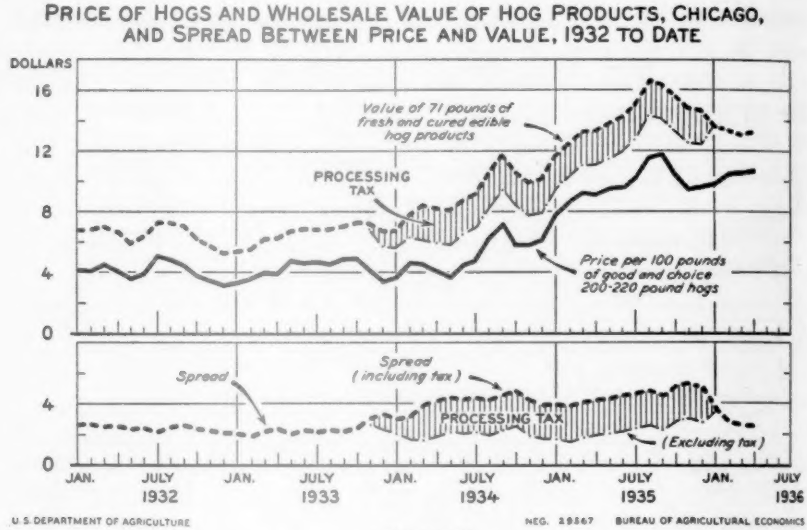

CHART II

the value of the milled products obtained from a bushel of wheat. Both of these prices fluctuate widely, but the margin between them, as is shown in the lower part of the chart, was subject before the processing tax to only slight variations. Upon the initiation of the tax, however, it immediately rose so that the net margin, after allowing for the tax, was substantially the same as before. There is no evidence that any other important changes took place at that time bearing on the price relations in flour milling. When the tax was removed early in January, 1936, the margin immediately declined by the full amount of the tax. All of these indications point to the fact that the burden of the tax was passed on to others.

Chart II shows similar data for the prices of hogs and hog products. These prices fluctuated even more violently than in the case of wheat, hog prices rising in 1935 to triple their level at the beginning of 1934. Yet the processing margin exhibits the same stability noted in the case of wheat. We have here the further complication that the hog processing tax was

introduced gradually, starting at $0.50 per hundredweight and increasing in three steps to $2.25 per hundredweight. This gradual imposition of the tax is closely matched by the gradually increasing gross margin so that the net margin, after allowing for the tax, remained substantially fixed. The termination of the tax is likewise reflected in a drop of the spread by substantially the full amount of the tax then in effect.

In the case of cotton milling, we find a somewhat different situation, as is shown by Chart III. Here, again, we find the processing margin relatively stable compared with the prices of cotton and cotton cloth, but exhibiting a downward trend over at least seven years prior to the initiation of

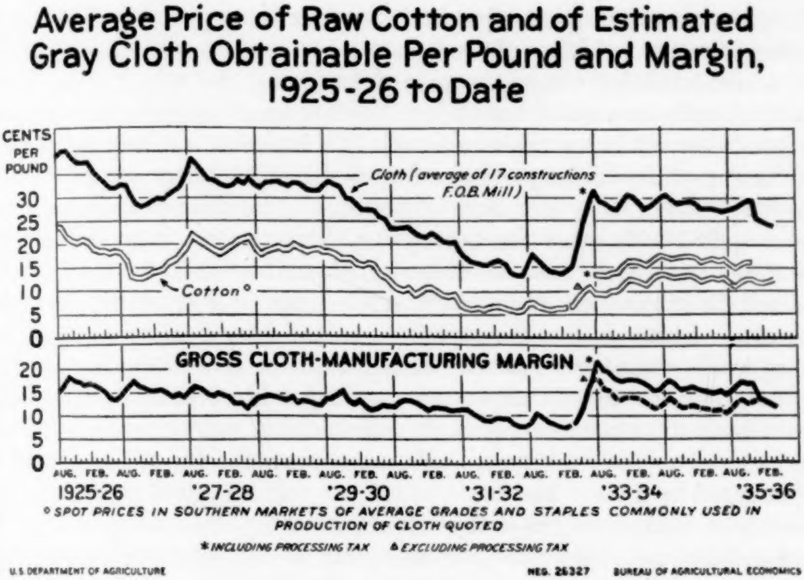

CHART III

the processing tax. This falling margin is a reflection of falling labor costs and changes in technical methods, as well as the competitive situation found in the industry. Here, however, the margin drastically increased prior to the initiation of the processing tax because of the speculative fever in the spring of 1933 and the adoption of the N.R.A. code for the textile industry. It rose further upon the initiation of the cotton processing tax, the tax and the increase in costs roughly accounting for the full increase in the margin. Again, upon the termination of the tax the margin fell by approximately the full amount of the tax.

These charts are not intended to intimate that the whole tax was passed on by every individual processor in these industries. They are intended, rather, to show the type of analysis which each processor is expected to

make, using his own figures for prices he paid for his raw materials and prices he received for his own particular products. The charts do suggest, however, that there is sufficient presumptive evidence in the general experience under the Act (when coupled with the internal evidence of the Act itself above described) pointing to the likelihood that the taxes would be passed on to others, to justify the imposition of the burden of proof to the contrary as a condition to recovery.[12]

It might be thought by some that these refund provisions are too liberal to the processor in attributing to the tax any observed shrinkage in the net margin during the tax period.[13] A good case can be made in economic theory for the proposition that when competitive conditions, inadequate demand or excessive production lead to price-cutting practices, a cost item such as this type of tax is the very last expense whose recoupment would be surrendered by management in determining its sales policy. Even under normal competitive conditions, there are usually some firms which are compelled to sell below their own costs. It is logical to attribute such losses to those costs in which a particular firm is at a disadvantage compared with its competitors. Thus, if a firm is carrying an excessive overhead burden as compared with other firms, or if its labor costs are excessive because of differential wage rates or efficiency, then these costs would be considered the ones which are sacrificed in the competitive price struggle. Only the most vicious cut-throat competition would drive a price down to the point where those costs that vary directly with volume of production, and that are uniform to all competitors, would not be covered. Raw material costs, especially when such prices are determined in well organized markets, are predominantly of this type. Perhaps the most uniform cost of all is that represented by a fixed and uniform tax per unit on goods processed, applicable to all processors as of the date of processing. Thus it would perhaps be justifiable to consider the processing tax as the last factor responsible for an unsatisfactory margin rather than the first.

[12] The evidence presented by these charts gives no indication as to whether the burden of the processing tax on these commodities was shifted forward or backward—whether it came out of the price paid to producers or the prices received from jobbers, wholesalers or retailers. It is beyond the scope of this study to demonstrate where the burden of these taxes finally rested. It is of interest, however, that tentative studies undertaken by various persons indicate the strong probability that most of the burden of the taxes on wheat and cotton was shifted to consumers. Recourse must be had to demand studies and consideration of price-making forces in national and international markets to make these demonstrations. In the case of hogs, it appears, both from the analyses put forth by the packers and from other impartial studies, that owing to the perishable nature of the product and other characteristics of the industry, the tax, to a large extent, came out of the prices paid to producers. See, for instance, "Incidence of the Processing Tax on Hogs" by Geoffrey Shepherd in the *Journal of Farm Economics*, vol. xvii, no. 2, May, 1935.

[13] By "net margin" is meant, during the period when the tax was paid, the gross margin minus the tax. It is equivalent to the ordinary margin, regarding the tax as a part of the cost of the raw material. See "Processing Tax on Wheat," by M. Slade Kendrick, *Am. Econ. Rev.*, vol. xxvi, no. 4, Dec., 1936.

It is true that these refund provisions are rather liberal in this regard, but this was felt to be advisable in view of the legal situation involved. It must be remembered that the refund title, so far from extending a privilege to processors, constitutes a limitation on their right, otherwise unlimited, to recover taxes collected under an invalid statute. Since the legality of this restriction is sure to be attacked in the courts, it was felt advisable to lean backward in assuring the reasonableness of the conditions imposed. A compromise measure whose constitutionality can be successfully defended is preferable to a stricter one whose probability of early demise at judicial hands would be much greater.

In computing the amount of refund for which a *prima-facie* case can be established by the demonstration of a reduced net margin, a comparison is made between the average margin during the whole of the tax period (the period during which the processor actually made payment of the taxes due) and the average margin during the "period before and after the tax." This latter period is defined, for all commodities other than tobacco, as the two years immediately preceding the first imposition of the processing tax concerned, plus the six months, February to July, 1936, following the removal of the taxes and a short period of readjustment. This thirty-month period is believed to give an adequate and fair standard of comparison with the period during which processing taxes were paid, including months of both depression and relative prosperity. In the case of tobacco, the pre-tax comparison period is limited to one year, in view of the peculiar price situation found. Cigarette prices were raised in 1929 and 1931 to an eight-year high mark, despite falling tobacco prices and falling wage rates. The shorter period gives less weight to these temporary high margins prior to the tax.

Some processors or their representatives have protested that the two-year comparison period prior to the initiation of tax gives an unfair picture of the normal margins to be found in their industry. They point out that these two years, in all cases, represent the trough of the depression and are unrepresentative of the industry in normal times. Attempts were made to have the period lengthened to as much as ten years.[14] The fact of the matter is, of course, that it was during this depression period that the processing taxes were initiated, and in order to ascertain the effect of these taxes, comparison must logically be made between these periods of depression just prior to and following the initiation of the taxes. The whole purpose of the comparison is to see how margins that occurred during the tax period compare with what they would have been *at the time* (of depression) in

[14] The effort was successful in the title relating to the "windfall tax," in that a pre-tax period of six years is prescribed. The post-tax comparison period is also omitted. If these differences from the refund title are regarded as a liberalization, they may perhaps be justified by the fact that they occur in a title levying a tax to be paid rather than referring to a refund of taxes already collected.

the absence of the tax, rather than how they compare with prosperity margins at some remote time. The period of six months following the removal of the taxes furnishes data comparable to those of the latter part of the tax period.

In addition to the rebuttal evidence that may be presented by either the processor or the Commissioner of Internal Revenue, to show that any observed changes in the margin during the tax period were due to factors other than the tax, any additional evidence may be presented by either party that may bear upon showing the burden of the tax. Certain practices which were common in some industries are specified as constituting rebuttal evidence that the burden of the tax was passed on. Thus, "Such proof may include, but shall not be limited to . . . proof that the claimant modified existing contracts of sale, or adopted a new form of contract of sale, to reflect the initiation, termination, or change in amount of the processing tax, or at any such time changed the sale price of the article (including the effect of a change in size, package, discount terms, or any other merchandising practice) by substantially the amount of the tax or change therein, or at any time billed the tax as a separate item to any vendee, or indicated by any writing that the sale price included the amount of the tax, or contracted to refund any part of the sale price in the event of recovery of the tax or decision of its invalidity; but the claimant may establish that such acts were caused by factors other than the processing tax, or that they do not represent his practice at other times. . . ." The significance of such practices is obvious.

A few of the minor provisions of the refund title are of interest. A processor is permitted to file only one claim for refund of taxes paid with respect to a given commodity, and is not allowed to select a few months during which a favorable picture can be presented, ignoring the remainder. This limitation is a recognition of the fact that adjustments caused by economic forces are subject to some friction and delay, and that a margin in a single month may be unrepresentative of the general situation. If a processor combines several commodities that were subject to different taxes (as in the case of certain tobacco products), the margins are to be studied with respect to the commodities as a group rather than individually. Where a processor handled any commodity in addition to the commodity with respect to which a tax was paid (as, for instance, a meat packer handling beef as well as pork), and if the Commissioner of Internal Revenue has reason to believe that the burden of the tax was shifted by means of the transactions relating to such other commodity, then the facts must be established with regard to the margins for this second commodity, and these facts must be considered in passing on the claim for refund. All price data used in computing margins must be those in *bona fide* arm's-length transactions. If transactions were carried on with affiliates at prices other than

fair market prices, the Commissioner may substitute fair market data for these "friendly" transactions. In recording the cost of commodities purchased, a processor may use either the actual historical cost (in the case of storage stocks) or the current market price of similar goods at the time of processing, in accordance with his usual accounting procedure. The sales values of processed articles shall be their values at current market prices at the time of processing, rather than the receipts when sold later (as in the case of cured meats, for instance). Speculative transactions are thus isolated from processing transactions. If a processor so chooses, rather than account for the exact quantities of processed articles obtained from the units of raw commodity on which the tax was paid, he may estimate these quantities by means of conversion factors showing the quantity of such articles ordinarily obtained from each unit of raw commodity. To sum up, the attempt is made to give a reasonable interpretation of the fundamental concepts employed, and to provide for proof which will not involve an unreasonable burden of computation or accounting.

A few matters of procedure should be noted in connection with this economic analysis of the refund provisions. To facilitate the initial consideration of refund claims, the formal hearing required under section 21(d) is abolished. A claim must be filed prior to July 1, 1937, in conformance with regulations issued by the Commissioner of Internal Revenue, clearly setting forth under oath the basis of the claim and the evidence on which it rests. During the consideration of a claim by the Commissioner, the claimant may participate in whatever informal conferences are found to be desirable. The Commissioner may require any additional relevant information of the claimant, and has full access to all of his pertinent books and records. The Commissioner is expected to make an award on each claim within eighteen months of the date of filing, either allowing the full claim or disallowing it in whole or in part. No court action may be started by a claimant before this date (unless a decision is rendered within that time), nor after the expiration of two years from the date of the award.

In the case of floor stocks and import compensating tax refunds, if the claimant is dissatisfied with this award, he may then initiate court action to test its legality. In the case of processing taxes, which are both more important in amount and more complicated in the matter of factual proof, provision is made for an appeal to a Board of Review set up in the Treasury Department. This Board constitutes, in effect, an administrative court, similar to the United States Board of Tax Appeals which, dealing only with this type of case, can bring expert and experienced training to determination of the claims. Hearings before this Board will be formal, with the right of representation by counsel, subpoena and cross-examination of witnesses, etc. The record prepared in such hearings will constitute

the record of facts before any court to which an appeal may be taken by the claimant. It is anticipated that comparatively few cases will need to be taken even to the Board of Review, and that only the cases necessary to test the legality of the principles and procedure employed will find their way to the courts. This procedure will free the courts of most of the large burden of litigation which would otherwise devolve upon them.

To summarize the economic principles applied to the problem of the incidence of processing taxes as regards processors, the approach here outlined might conveniently and accurately be called the "margin" approach. It will be noted that at no place in this analysis has the word "profit" occurred. To economists familiar with the haze of confusion surrounding this concept and the maze of accounting techniques which are available for producing in the final picture the precise details desired, the reason is obvious.[15] Again, the sterile "cost-accounting" approach employed by the rice millers to conjure up a confusing picture has been avoided. The margin approach starts with the relatively simple facts of actual prices paid and prices received, to be supplemented only by definitely ascertainable facts supplied by cost accounting and by research into business practices.

An orderly procedure is suggested to processors for showing the extent to which they bore the burden of the taxes involved, as a justification for a tax refund or as a bar to liability for the "windfall tax." In the application of economic principles to legal problems, this approach tends, if anything, to be too generous to claimants for refund. It will be of interest to watch the developments of the next few months concerning these titles of the Revenue act and to see whether they prove to be practicable in administration and reasonable in the eyes of the law.

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[15] Processors themselves have been insistent, in litigation over the old section 21(d), that a comparison of profits furnishes no basis of evidence regarding the burden of the processing taxes. They have quoted with approval the statement to the same effect in the report of the President's Cabinet Committee on the Cotton Textile Industry (Senate Document No. 126, p. 141): ". . . Profits or losses for individual processors are, however, in themselves no proof that the processing tax has been passed on. For many years large numbers of establishments have been operating at losses and gradually going out of business. This situation would remain unchanged if all mills passed on the full amount of the processing tax. To argue that losses indicate failure to pass on the processing tax is tantamount to arguing that any loss which a mill may sustain should be ascribed to the processing tax."

COMMONS ON INSTITUTIONAL ECONOMICS

Professor Commons presents a new synthesis of economic and social data which is based largely upon the pragmatism of John Dewey's social philosophy and social psychology. The pragmatic approach facilitates realistic economic analysis, but is open to several weaknesses—namely, the crucial selection of a method of settling pragmatic conflicting claims of economic interests may be too narrow; the pragmatic tests of survival, results, and workability may degenerate into a justification instead of a critical analysis of existing economic processes; and the maintenance of a consistent relative point of view may be extremely difficult for certain economic problems. Professor Commons' *Institutional Economics* seems to show these weaknesses, particularly with regard to the analysis of reasonable value, futurity, and intangible property. The analysis of efficiency and scarcity, with a few exceptions, presents an excellent institutional description of the rather extensive field of imperfect competition or monopolistic competition. The treatment of economic reform in terms of pragmatic idealism could be improved by the use of specific experimental standards of performance and by the recognition of the important rôle which educational institutions may play in the formation of economic interests and policy.

Although contemporary American economists give various titles to monographs and general treatises, the analysis of institutional processes and frictions which deviate from generalized economic descriptions is a feature of increasing prominence. The investigation of exceptional cases, dynamic factors, and fundamental changes frequently requires the use of data from several sources, such as political science, jurisprudence, sociology, psychology, biology, and philosophy. Economic problems are social problems; and the attempt by some economists to correlate data from these sources deserves consideration. Professor John R. Commons in a recent book, *Institutional Economics,* attempts a new synthesis of economic and social data.[1] Because of certain fundamental issues presented by Professor Commons with regard to philosophic approach, psychological concept of human behavior, institutional influences, and ethics, a careful examination of these issues may offer some constructive suggestions for the difficult task of synthesis.

The critical nature of subsequent comments should not deter the reader from making, if he has not already done so, his own examination of Professor Commons' work. It is interesting and stimulating, characteristics not typical of economic writings. To the extent, moreover, that the institutional approach to economic analysis is valid, the method applies to economists and their behavior as well as to economic processes. In the former instance Professor Commons has certainly made a noteworthy contribution—namely, he has broken a new path through the mass of stereotyped thinking which, right or wrong, is stereotyped.[2] Terminology, methods, and interests acquired by economists may become binoculars or blinders in the solution of problems. The efforts of economists toward constructive thinking are

[1] John R. Commons, *Institutional Economics* (New York: Macmillan, 1934), pp. 5-8; 715.

[2] Harvey W. Peck, *Economic Thought and Its Institutional Background* (New York: Farrar and Rinehart, 1935), pp. 364-7.

not immune to the dead hand of habit, the common fate which may overtake all human effort.[3]

Since important assumptions, scope of treatment, and conclusions in economics depend primarily on the general social attitudes acquired by economists, the basic social philosophy of any economist is a key to an understanding and evaluation of his writings. Any criticism, then, may have two points of reference: first, the adequacy or inadequacy of the economist's philosophy and assumptions as measured by the meager experimental data available with regard to the nature of human beings and their social relations; and second, the consistency or inconsistency with which the economist treats material within his philosophic framework. The first point of reference for criticism is the more important one because the conclusions usually flow faithfully from the basic assumptions. Criticism, however, of the social philosophy acquired by an economist is a difficult task which frequently ends in categorical denials and affirmations. The process is similar to the one of criticizing the clothes which he likes to wear. Any criticism therefore of philosophic assumptions in the form of meager experimental data is presented tentatively to meet the test of plausibility, experience and experimentation.

Although the length and method of philosophic statement used by Professor Commons may be distasteful to some readers, it has the merit of being explicit, a merit not earned by many economists. Without recapitulation of his historical examination of philosophers and his rejection of the undue subjectivism of Locke and Hume, his choice of philosophy is pragmatism as presented in the social philosophy and social psychology of John Dewey.[4] The final goals or objectives therefore of economic development are indefinite.[5] On the basis of pragmatic tests, such as survival, results and workability, Professor Commons assumes tentatively that the present capitalistic system in the United States based on private property and profits is generally satisfactory and probably will continue.[6] The essentials of workability are alleged to reside primarily in the common-law method of developing working rules or customary practices and, in the event of important conflicts of interests, in the reasonable-value decisions of the United States Supreme Court.[7]

There are at least two general points on which this pragmatic position may be inadequate; first, the crucial selection of a method of settling pragmatic conflicting claims of economic interests may be too narrow; and second, the tests of survival, results, and workability may degenerate into

[3] F. C. Bartlett, *Remembering: A Study in Experimental and Social Psychology* (New York: Macmillan, 1932), pp. 219-26; 234-7; 301; 313.

[4] Commons, *op. cit.*, pp. 90-1; 102; 647; 874.

[5] *Ibid.*, p. 93.

[6] *Ibid.*, pp. 580; 804; 874-5; 898; 902-3.

[7] *Ibid.*, pp. 57; 682-3.

a justification instead of a critical analysis of existing economic processes. In both cases, moreover, there may be a tendency, inconsistent with the pragmatic philosophy presented, to slip from the relative to the absolute point of view in the development of the above points. In various places Professor Commons' institutional economics seems to show these defects.

With regard to the first point, the United States Supreme Court is accepted as "an authoritative faculty of political economy."[8] The nature of the acceptance is elaborated by the statement that "the value theories of the courts . . . must take the social point of view."[9] "The lawyer," an essential figure in the legal system is presented as one "who epitomizes the institutional point of view in most cases of conflict of interests, [and] asks neither about feelings nor 'fundamentals'."[10] The uniformities of action, the essence of science, are supplied according to Professor Commons by Anglo-American common law.[11]

The selection of legal customs, processes, and institutions as the basic elements for an institutional analysis of economic problems seems inadequate from a pragmatic point of view. Elsewhere Professor Commons refers to billions of transactions which never come to a court decision.[12] These are ruled by inexact collective action or custom, but the same relations and principles are alleged to hold as in court decisions—namely, reasonable value. The undue emphasis on conflicts as handled by the courts, and particularly by the United States Supreme Court, leads Professor Commons to neglect other important institutions and other factors in economic analysis.[13]

Educational institutions, for example, and their possibilities are dismissed with the following statement: "Education is the acquiring of habit by conformity to custom."[14] Recent studies of the influence of environmental

[8] *Ibid.*, p. 712.

[9] *Ibid.*, p. 330. Elsewhere (p. 699) Professor Commons states that the Supreme Court is dominated by habitual assumptions. He also states (p. 682) that these assumptions usually represent the changing customs of the dominant portion of the people at a given time. Insight apparently (pp. 747-8) does not characterize the Court's behavior.

[10] *Loc. cit.*

[11] *Ibid.*, p. 744.

[12] *Ibid.*, p. 80.

[13] *Ibid.*, pp. 546; 556. A curious omission is the discussion of business cycles without reference to that interesting institution—the stock exchange. On page 587 he mentions briefly the effect which changes in the rediscount rates by central banks may have upon stock exchange markets. He also refers (p. 583) to surpluses (profit cushions) built up by corporations. In the discussion, however, of leads and lags in purchasing power, profits are said to be saved (p. 546) as soon as earned and, once saved, are said to be expended directly or indirectly for labor. In a continuation of the same discussion (pp. 556-60) the institutional practice of consumers' installment buying is ignored. Business men, because of the availability of bank credit and the opportunity for speculative gains, are assumed to increase buying on a rising price level, whereas consumers are assumed to decrease buying, and *vice versa*. The important part which installment buying, based on expected future increases in income and customary levels of consumption, may play in the expansion and subsequent contraction of the credit spiral is apparently overlooked.

[14] *Ibid.*, p. 155.

factors upon the human organism indicate both a high degree of plasticity on the part of human beings, and environmental changes as the most practical way to improve human behavior.[15] These findings in the fields of experimental physiology and biology have two important implications for the above problem. First, they point to the immediate importance of educational institutions in lessening conflicts, and to the possibility that a continuation of the present economic system may depend on the rapidity with which educational institutions can equip individuals capable of working in the system and making the system work. Second, they point to the fact that human beings can make adjustments to a great variety of economic arrangements.

Professor Commons discusses social evolution in terms of customs which arise from instinct and habit found by experience to preserve life, enjoyment, and survival in the struggle of competition.[16] He says custom is analogous to heredity. Apparently his close attention to legal institutions and his neglect of other institutions account for the inadequate and fragmentary character of his pragmatic philosophy. To stress the rigidity of customary processes, and hence the difficulty of making changes, is proper enough; but to assume that the rigidity is so great that orderly changes can be managed only by legal institutions, and particularly by the United States Supreme Court, is not only acceptance but also justification of economic and political muddling. The principles of heredity when applied to the breeding of horses produce quick results. These principles of selection, in-breeding, and elimination of undesirable types cannot in practice be applied to the breeding of human beings, but similar principles can be and are applied in the educational system to social institutions and processes.

The tendency to shift from an objective description of the difficulties involved in making changes in the economic system to a justification, based on inadequate data, of certain present legal processes as the only practical method of change, is essentially a shift from a consistent relative point of view to an absolute point of view. "What is wanted," writes Professor Commons, "is not truth but orderly action."[17] The final test and objective of social change is apparently law and order of the Supreme Court variety. Security, "even the security of injustice and poverty," is more fundamental than justice or happiness.[18] The choice of a specific type of law and order

[15] H. S. Jennings, *The Biological Basis of Human Nature* (New York: Norton, 1930), p. 246. Charles M. Child, *Physiological Foundations of Behavior* (New York: Henry Holt, 1924), pp. 173-4.

[16] Commons, *op. cit.*, p. 45.

[17] *Ibid.*, p. 712.

[18] *Ibid.*, p. 705. This statement may constitute a definition of rugged individualism. Professor Commons calls it (p. 874) institutionalized personality, not individualism. A rugged individualist, however, is one type of institutionalized personality. Words, writes Professor Commons (p. 25), may conceal thought. This seems to be an example.

as a final goal, a choice inconsistent with Professor Commons' pragmatic position, probably arises from his undifferentiated definition of an institution as collective action in control of individual action and from his legal definition of liberty in terms of prohibitions against interference, infringement and trespass.[19] "The best nation," is referred to by Professor Commons as the one in which "rights, duties, liberties, and exposures are best rationed among individuals."[20] Respect for and protection of individuality is commendable, but the amount of institutional control does not *ipso facto* denote expansion or contraction of individuality. Liberty for the individual must be analyzed in terms of existing institutions and their effects on the human organism, and also in terms of developing those types of institutional controls which, because of the changes made in the human organism and its behavior, offer the possibility in time of lessening their own need as well as the need for other types of control. Since orderly action is made paramount and since the legal system and processes are made the main custodians of orderly change and action, the rationalization and justification motif which accompanies Professor Commons' excellent description of present economic practices is explicable.[21]

Pragmatism is the philosophy of experience, practical results and experimentation. With a broader view of the adjustability of human beings and of the social influence of institutions other than legal ones, the main defects in Professor Commons' work can be overcome. Experience with the present economic system has revealed certain tragic weaknesses. These weaknesses are judged by certain standards of needs which experience has developed. Without setting any final goal for social change, these standards can be made the basis for criticism and experimentation. Individuals may be educated to fit the present system or to experiment with changes in it. Social needs can be made the basis of an extensive educational program. The biological and physiological needs of the human organism in a complex institutional setting would provide the basic material.

A specific illustration of the above criticism may be found in Professor Commons' book. It contains no institutional analysis of the formation of the United States Constitution and only a brief reference to the process of amending it.[22] With social needs as a basis for an evaluation of the Supreme Court's interpretation of the Constitution, the possibility of amending the Constitution in order to restrict the Court's usurpation of authority has pragmatic significance. In the same way the development of statutory law as a means of changing the common law, which is neglected by Professor Commons, could be improved by the formulation of social needs as

[19] *Ibid.*, pp. 70-3. [20] *Ibid.*, p. 634.

[21] *Ibid.*, p. 409. Professor Commons notes that one is prone to swing from economics to justification.

[22] *Ibid.*, p. 684.

a basis for criticism and change. The lawyer, moreover, who is now alleged to epitomize the institutional point of view as a carrier of habitual assumptions may be judged by these social needs, and therapeutic education suggested as an aid to him particularly in those cases in which interpretation is essential for the application of precedents. Another opportunity to use social needs, such as standards of diet, medical care, housing, clothing, and recreation appears in Professor Commons' concept of use-value.[23] He attempts to make use-value objective by defining it as civilization value; but, unless given specific content, the concept remains tautological.[24]

The inadequacy of Professor Commons' philosophic position may be partly traced to postulates in his social psychology. The traditional economic man concept is criticized, but later is restored to approximately full status.[25] In addition two new economic men are introduced who play an important part in the formulation of the theory of futurity and the theory of reasonable value. "Man," Professor Commons reiterates, "lives in the future but acts in the present."[26] The present is defined as zero point of time between the incoming future and the outgoing past. Present ownership, or legal control, therefore always looks to the future; and causation is definitely placed in the future instead of the past (cost theories) or in the present (hedonic theories).[27]

Although a categorical shift in causation from the past to the future is asserted by Professor Commons, the shift is made in rather uncertain terms. Habit, for example, is defined as repetition of acts determined by physiological processes of the past.[28] Similarities in individual habituation depend on uniform conditioning by past and present customs.[29] The meaning seems to be that these customs uniformly condition individuals to expect the same sequences of action in the future as in the past, and hence that all economic uniformities are future expectations which place economic causation in the future.[30] Experience with the existing institutional setting may condition some individuals to expect profit and interest payments, and they act now on the basis of past experience and the present situation and continually modify their actions on the basis of the moving past and the present to meet the incoming future. Many individuals, however, as judged by their erroneous forecasting, economic losses, and dislike of change, live in the remote past and act in the present. Others, who appear immune to the learning process, seem to live and act in the present. Individual habituation with regard to future events varies greatly among individuals.

A brief reference to the learning process will indicate the limitations of Professor Commons' analysis of futurity and causation in human behavior.

[23] *Ibid.*, p. 84.
[24] *Ibid.*, pp. 265; 298.
[25] *Ibid.*, pp. 744; 815; 874.
[26] *Ibid.*, pp. 58; 84.
[27] *Ibid.*, pp. 7; 83.
[28] *Ibid.*, p. 740.
[29] *Ibid.*, pp. 741; 153.
[30] *Ibid.*, p. 746.

All human behavior, when overt, may be called volitional or purposive.[31] Overt behavior, which begins with elemental wants (physiological annoyers or needs, which may be internally or externally stimulated) develops by random movements and trial and error behavior toward the satisfaction of these wants.[32] In this sense all human behavior is forward-looking and end-seeking. Mechanistic uniformities, however, are lacking in the process of individual adjustments to complex institutional settings.[33] Motives appear and processes are repeated, but many non-repetitious elements cling to the problem-solving processes of trial and error behavior.[34] Social institutions which develop by the trial and error method provide the setting for the learning process. Trial and error behavior within a complex institutional setting yields a great variety of human volitions, purposes, interests or types of behavior directed toward the satisfaction of acquired wants or ends. To say therefore that human beings are forward-looking or end-seeking provides no more of an explanation of social institutions and economic behavior than to say that human beings are self-interested and motivated by pleasure and pain. So-called enlightened self-interest is merely foresight.

Both concepts are broad generalizations and truisms without specific content. They tell us nothing about specific drives in the learning process and very little about the variability of human behavior in a complex institutional setting. The problem of causation for institutional economics is the problem of analyzing the effects of specific institutions on group behavior and the specific institutional changes which human beings may accomplish, within known physiological limits, in order to alter human beings and their activity. Trial and error for the individual, for the scientist, and for social experimentation is a process involving past and present data. Generalizations, therefore, to be useful tools of investigation and useful guides for public policy, must be restricted to specific situations.

The second economic man arises from Professor Commons' analysis of the human will and choice. He prefaces his analysis with the statement that no metaphysical or philosophical implication is involved and that no attempt

[31] *Ibid.*, p. 7. Professor Commons refers to this problem in terms of a volitional theory of future consequences of present negotiations which changes the problem of causation in economics and the definition of wants and desires.

[32] Edwin B. Holt, *Animal Drive and the Learning Process* (New York: Henry Holt, 1931), pp. 124; 239.

[33] George Humphrey, *The Nature of Learning* (New York: Harcourt, Brace, 1933), pp. 268-70.

[34] Commons, *op. cit.*, pp. 697-8. Professor Commons seems to admit this point in stating that habitual assumptions take care of routine transactions and complementary factors, whereas intellectual activity is present in strategic transactions which involve limiting factors. He also states (pp. 747-9) that human beings act according to three variables—namely, habitual assumptions, rationalization and insight. The principle of willingness is defined as a combination of all three variables. Willingness is apparently a synonym for overt behavior in any group which may be called social.

is made to analyze the will in terms of freedom or determination.[35] "We take the will as we find it—namely, the whole activity of human beings in their actions and transactions."[36] He concludes, however, that no science of political economy is possible if the will is free, and hence that uniformities in the operation of the will must be found.[37] Since these uniformities are discovered, the will is apparently found to be determined. To state the conclusions differently, overt human behavior conditioned by the same institutional setting may show certain similarities.

Some confusion, however, appears in the analysis of unformities when the will is referred to as "a process of repeatedly choosing and acting upon the best alternative actually available at the time."[38] Apparently human beings are rational, learn quickly without trial and error, and always choose the best alternative. The choosing of alternatives, moreover, is said to be a peculiar attribute of the human will.[39] What of the peculiar behavior of plants when they move from a dark spot to the light? The uniformities of the human will in action, that is, in choosing, appear in the same act as performance, avoidance and forbearance.[40] Performance is defined as the exertion of physical or economic power in one direction, that is, over nature or persons in acquiring or delivering a physical or economic quantity; avoidance as the rejection of the next best alternative performance; and forbearance as the exercise in the actual performance, not of total power except at a crisis or under compulsion, but of a limited degree of one's possible moral, physical or economic power.[41]

The doctrine of reasonableness, according to Professor Commons, is derived from the three dimensions or uniformities of choice.[42] Apparently it is mainly derived only from the last—forbearance. The human will, except in a crisis, is assumed to choose a lower as against a higher degree of power in the actual performance, that is to say, human behavior exhibits the uniformity of "reasonableness." Forbearance is "reasonable" performance.[43] Since human beings are reasonable, reasonable values, or compromises, may be arrived at in the solution of conflicting interests. In short, under the reasonable guidance of the Supreme Court, economic and political muddling may continue among reasonable human beings. Exceptions, however, are referred to. What specifically constitutes a crisis in which human beings are not reasonable? One may suggest the activities of anthracite coal

[35] *Ibid.*, p. 739.
[36] *Loc. cit.*
[37] *Loc. cit.*
[38] *Ibid.*, p. 19.
[39] *Ibid.*, pp. 87-8.
[40] *Ibid.*, pp. 19; 88.
[41] *Ibid.*, p. 88.
[42] *Loc. cit.* The will in action, or human behavior, appears to be only a three-way mechanism of uniformities. Professor Commons states (p. 521) that his concept of value is volitional and not mechanistic. Since the analysis of volitions is based on legal cases, the mechanics are apparent.
[43] *Loc. cit.*

operators, of public utility owners, of munition manufacturers, of banking interests, and occasionally the activities of Supreme Court justices.[44]

If forbearance is reasonable performance, what becomes of avoidance? Overt behavior may be either a positive or an avoidance reaction. In a discussion of taxation Professor Commons refers to these avoidance reactions.[45] He again refers to them in restating avoidance as the non-interference with the performance, avoidance and forbearance of others.[46] In the above analysis, however, avoidance is part of the same act along with reasonable performance. Avoidance, then, in this sense is merely a denial that human beings can go off in all directions at once. But what is avoided? The next best alternative performance available is rejected because the best is performed. If the best performance is known and is reasonably performed, the omission of any other possible performance is reasonable. Avoidance, therefore, is also reasonable performance. With mankind supposedly acting on the basis of futurity and reasonableness, Professor Commons is in a position to announce the advent of an age of reasonableness to follow the age of stupidity which, according to his analysis was proclaimed by Malthus at the collapse of the age of reason.[47]

The treatment of economic data by Professor Commons in terms of the above postulates of futurity and reasonableness is significant. He illustrates the doctrine of reasonable value by reference to United States Supreme Court cases which involve predominately the problem of valuation of public utilities. The Court, he contends, develops a doctrine of reasonable value from the new meaning assigned to intangible property—namely, the ownership of expected opportunities to make profit by withholding supply.[48] Veblen, he seems to imply, develops incorrectly a doctrine of exploitation from a study of the same problem based on the testimony of industrial magnates given in 1901 before the United States Industrial Commission.[49] The interpretation given by Professor Commons follows consistently from his basic postulates. From his analysis of choice in terms of performance, avoidance and forbearance, are derived the doctrines of opportunity costs and

[44] With regard to justices of the Supreme Court the charge of constitutional usurpation of authority by the Court made by Justices Stone, Brandeis, and Cardozo in two recent cases (Vermont income tax law and the federal excise tax on liquor dealers) is illustrative.

[45] Commons, *op. cit.*, p. 835.

[46] *Ibid.*, p. 88.

[47] *Ibid.*, p. 250. Professor Commons attempts to make a sharp distinction between reasonableness and reason (pp. 22-3). If a choice, however, must be made between customs, he contends that a conflict of reason and self-interest determines the choice (p. 47). Apparently both reason and self-interest are still with us and, if in conflict, reasonableness ensues.

[48] *Ibid.*, pp. 3-5.

[49] *Loc. cit.* Professor Commons later in a discussion of the formation of the United States Steel Corporation (pp. 649-50) states that Veblen's analysis is correct—namely, "getting something for nothing."

costs of reproduction.[50] Add the principle of futurity, and intangible property becomes the right to benefit from expected opportunities to make profits. The Court's support, therefore, of spot-valuation (cost of reproduction new, less depreciation) is said to epitomize the doctrine of reasonable value.[51] The holding company, moreover, is cited as an example of coöperation which suppresses conflict.[52] The "public-be-damned" and the "pay-what-the-traffic-will-bear" profit expectations, therefore, of a holding company in the public utility field constitute its intangible property on the basis of the reasonable value doctrine.

The inadequacy of the above postulates and the tendency for their use to lead to justification of existing practices is apparent. The past history and present attitude of the public utility industry indicates very little forbearance or reasonable performance toward the consumer or toward any form of effective government control. The crux of the valuation problem is the issue between the use of the spot valuation and the prudent historical cost method of determining the rate base. The well paid, institutionalized lawyers of the utilities argue that any general increase in prices increases the value of business property (intangible property), and consequently, that valuation on any basis other than spot valuation is confiscation of property without due process of law.

A minority of Supreme Court justices and members of public utility commissions have repeatedly pointed out important fallacies in this position. Public utilities are quasi-public monopolies, not private competitive industries. Public utilities experience some indirect competition and occasionally some direct competition from publicly owned utilities. Public policy, however, is directed toward the preservation of these quasi-public monopolies, if possible, by assuring rates of return which will attract sufficient investment capital to maintain satisfactory and stable service for consumers. Satisfactory and stable service can be obtained from monopolies only by control of rates based largely on past costs and financing. The spot valuation method on a rising price level allows the utilities to charge what the traffic will bear. If past costs are not scrutinized, over-capitalization develops. The effects of this practice are illustrated by the present railroad situation. The same principle of valuation if applied in the same manner on a falling price level would bankrupt many utilities and would interfere with the stable and satisfactory supply of these essential services. For efficient operation, rates must be fixed with reference both to value of service and to cost of service. If the rate base is determined by the prudent historical cost method, over-capitalization kept to a minimum, unnecessary holding company pyramiding excluded, rates may then be adjusted to allow any rate of return found necessary to attract adequate capital. The profit expectations, or alleged

[50] *Ibid.*, pp. 308-9; 315.
[51] *Ibid.*, p. 745.
[52] *Ibid.*, pp. 6-7; 882.

tion that each worker could be made into an interchangeable unit with th

intangible property values of the controlling group of common stock owners in many public utilities, apparently are based on the habitual assumption that propaganda, bribery, institutionalized lawyers, and the holding company device will continue in the future as they have in the past to render public control of their privileged monopoly position ineffective. Veblen's doctrine of exploitation is certainly a valid pragmatic interpretation of intangible property in the public utility field.

One significant attempt made by Professor Commons to introduce objective standards of performance in order to judge prevailing economic practices is his engineering concept of efficiency. His analysis of efficiency and scarcity, with a few exceptions, presents an excellent institutional description of the rather extensive field of imperfect competition or monopolistic competition. The few exceptions appear in the form of confusing assumptions and inconsistencies. Professor John D. Black's concept of the least-cost combination per unit of output as a measure of economy and efficiency is dismissed as useful for private management but not for the social point of view.[53] Since money costs are related to the profit margin and since the profit margin is the pacemaker for concerns under the present economic system, the above denial of social significance for the least-cost concept seems incompatible with the later significance attached to the profit margin analysis.[54] Scarcity values rather than efficiency values may frequently provide the economic drives in the present system, but they are the inducements which place individuals and allocate resources. Whatever economy or efficiency the entire present economic system may have must be stated in monetary terms. Professor Commons seems to admit this point in a brief reference to the general problem of economy which combines the concepts of efficiency and scarcity.[55]

The concept of efficiency as applied by Professor Commons to an engineering economy seems to depend on several assumptions.[56] Mental, manual, and managerial labor is assumed to be homogeneous and willing to work for uniform inducements. These inducements appear to have no relation to the types and relative amounts of consumption goods made available. Nothing is scarce or limited in supply except human energy in the form of a homogeneous aggregate. The ratio, therefore, of man-hour input to physical output becomes the measure of efficiency. Because of the assumptions, the analysis has little pragmatic significance. In an institutional setting, such as communism, the types and relative amounts of consumption goods produced could be adjusted to basic needs. Workers might be conditioned to respond effectively to uniform inducements. The available biological, physiological and psychological data, however, do not justify the assump-

[53] *Ibid.*, p. 277.
[54] *Ibid.*, pp. 526-80.
[55] *Ibid.*, pp. 621; 633.
[56] *Ibid.*, pp. 269-70.

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tion that each worker could be made into an interchangeable unit with the same effectiveness at all tasks. If their effectiveness varies, even though inducements are uniform, trial and error methods (factoral proportions) would be essential in determining their relative effectiveness at different tasks. Different performance ratings could then be assigned to different workers, and efficiency would depend upon an economic use of different abilities. A weighted average, instead of Professor Commons' simple average, would be the guide to efficiency.[57] The least-cost combination would still be significant socially as a device to overcome scarcity, not in terms of dollars, but in terms of performance ratings.

The tendency for pragmatic institutionalism to accept uncritically existing economic practices is illustrated by Professor Commons' analysis of the profit margin. It is divided into two problems: first, how does the profit margin keep the economic system working; and second, does society pay too much or too little for the service of forecasting and planning?[58] The answer to the first question constitutes an excellent institutional description of the operation of the profit motive. In fact the bulk of Professor Commons' material belongs under the title of an institutional theory of business enterprise under conditions of monopolistic competition. The answer to the second question which emerges from the analysis of the first, seems contradictory and apologetic.

The profit margin is defined as the ratio of net income (gross sales minus wages, salaries, interest, rent, materials and taxes) to gross sales.[59] Pure profits and the business man's imputed wages or salary constitute the margin for profit in the above calculations.[60] Although individuals may be addicted in various degrees to the profit habit, corporations are stated to be institutions solely for profit.[61] The outcome of the above profit margin analysis, especially in corporation finance, depends upon the institutionalized practices of bookkeeping. Although Professor Commons refers to this point, very little description of these practices is given.[62] The possibility of concealment of profits in excessive depreciation charges is cited.[63] The practice of maintaining a profit cushion, that is, receipts from sources other than sales, is mentioned.[64] No reference, however, is made to the practice of overcapitalization, secret bonuses and salaries, or the holding company device of service subsidiaries selling to operating subsidiaries. The point is made, however, that business enterprises meet each transaction separately and strategically by using their cost accounting simply as talking points in negotiations.[65] For example, if a corporation is fighting a tax program, the emergency is strategically met by showing the percentage which taxes will

[57] *Loc. cit.*
[58] *Ibid.*, p. 526.
[59] *Ibid.*, pp. 561-2.
[60] *Ibid.*, p. 531.
[61] *Ibid.*, p. 527.
[62] *Ibid.*, p. 562.
[63] *Ibid.*, p. 567.
[64] *Ibid.*, p. 583.
[65] *Ibid.*, pp. 867; 870.

take of the sum remaining after all expenses are deducted, that is, the ratio of the taxes to be paid to the sum remaining for paying taxes and profits.[66] In many cases with expenses loaded heavily in the manner indicated above, the statement that taxes may constitute only two per cent of total costs but from 34 to 134 per cent of the taxable margin is not unexpected.[67] The latter percentage is referred to as the real tax burden. If the same corporation is opposing a program of unemployment insurance, it strategically shifts its accounting propaganda to meet the new emergency. The ratio of the premiums to be paid to the sum left for paying them and profits, after a deduction is made for all other expenses, furnishes the talking point.

From the foregoing description of how the profit margin keeps the economic system working, the conclusion would seem to be that society frequently pays too much for the service of private forecasting and planning. The service may be mere gambling and plundering. The distributive shares, however, Professor Commons writes, may be just or unjust; but the profit margin keeps the concern a-going.[68] The capitalistic system, states Professor Commons, is conducted on amazingly narrow margins for profit.[69] Admiration is expressed for the individual who by initiative, persistence, risk-taking and assumption of obligations to others rises to leadership.[70] Apparently Professor Commons' pragmatic analysis of how the profit margin keeps the concern a-going is also to be accepted as reasonable performance in view of the price paid by society. Reasonable performance or justification, however, is derived from two sources, the principle of futurity and the business man's strategic handling of accounting records. Profit expectations are indispensable for the workability of the present system but the amount necessary can be determined only by social experimentation in the form of institutionalized control. If accounting records, or past costs, items inconsistent with the doctrines of futurity and reasonableness, are to be introduced as standards for measuring the price paid by society for private forecasting and planning, elimination of padding and talking points is imperative.

Reform of the present economic system is analyzed by Professor Commons in terms of pragmatic idealism.[71] Pragmatic idealism is defined as attainable, or reasonable, idealism which is indicated by the prevailing practices of the progressive minority. Gradations in performance are assumed for any given group at a given time with a rather wide dispersion below and above average performance.[72] The assumption of a progressive minority also implies over a period of time a secular trend upward in performance. Practical reform, then, consists in bringing concerns of average performance and those below average performance up to the level of the progressive

[66] *Ibid.*, pp. 571-3.
[67] *Loc. cit.*
[68] *Ibid.*, pp. 584-5.
[69] *Ibid.*, p. 580.
[70] *Ibid.*, p. 874.
[71] *Ibid.*, pp. 741-3.
[72] *Ibid.*, p. 874.

minority. Apparently in those cases where the dispersion in performance clusters closely to the average, pragmatic idealism or practical reform has little improvement to offer.[73] No specific standards, moreover, as established by progressive minorities, are submitted by Professor Commons as the basis for reform of prevailing practices among certain unprogressive groups. Instead, the suggestion is made that if the profit motive can be enlisted in a program of social welfare, a dynamic factor more constructive than all others may be enlisted.[74] If the appeal to business men to get rich by making others rich fails, the appeal is then directed to collective action.[75] The appeal to capitalists to correct the evils of capitalism is a favorite method of evading fundamental issues.[76]

Within the present institutional setting individual capitalists or progressive groups of capitalists cannot be expected to correct the evils of the present system. To escape from the habitual assumptions and customary practices of an unchanged institutional setting is difficult even for the progressive minority. Those critically aware, moreover, of existing evils cannot be expected, individually or in small progressive groups, to risk business extinction by radical deviation from current practices.[77] Educational institutions and experience with the present system may expose the destructive elements in existing economic institutions to enough people in time to furnish democratic government sufficient support for suppression of these evils, and consequently, for the perpetuation of many essential features of the present system. If education loses the race against stupidity, habitual assumptions, capitalized expectations, and "reasonable" property rights as interpreted by the Supreme Court without the aid of additional amendments to the Constitution, the process of political and economic muddling faces an abrupt, and perhaps violent, switch either to a political and economic system controlled by powerful capitalists and shaped to protect their interests, or to a system controlled by the large mass of economically disenfranchised citizens and shaped to promote their interests. Institutional economics, in order to avoid the pragmatic pitfall of wrapping the cloak of justification around any existing practices which, until now at least, enabled muddling along to continue and in order to fulfill its pragmatic allegiance to the instrumental and purposive character of ideas and plans, must contribute to the educational process not only an analysis of existing institu-

[73] *Ibid.*, p. 894. Professor Commons discusses the Clayton act and the development of the monopolistic practice of following the leader.

[74] *Ibid.*, p. 875.

[75] *Loc. cit.*

[76] Harold G. Moulton, "The Trouble with Capitalism is the Capitalists," *Fortune*, November, 1935, pp. 168; 171-2; 174; 177-8; 180; 182.

[77] Commons, *op. cit.*, pp. 701-2. The statement is made that if habits are learned which fit customs, one makes a living; otherwise he is the recipient of charity, inherited wealth or punishment.

tional processes, but also specific institutional standards of performance and needs to serve as a basis for criticism as well as a basis for trial and error changes. In view of the requirements which pragmatic institutional economics should attempt to meet, the failure of Professor Commons to meet all of them does not detract from his partial and pioneer accomplishments.

The study of social institutions is not a new development in economics. Institutional processes of buying and selling are necessarily the basic subjects for investigation in economics. New data, however, have appeared in economic studies and in related scientific investigations which make possible a new orientation in the study of economic institutions. The prevalence, for example, of monopolistic and semi-monopolistic practices as revealed by price studies indicates definitely the weakness of generalized equilibrium theories and the necessity for analysis of specific situations in terms of institutional practices. The remedy, moreover, for monopoly in any form is government intervention either to enforce competition or to curb monopoly by control of prices. Effective control of prices may require partial government ownership in some industries. Recent studies of the relation of human behavior to different types of institutional settings furnish an inducement other than mere necessity for experimentation in government ownership—namely, the inducement that public property and wages may be expected to furnish a better incentive for production and consumption according to standards of public welfare than private property and profits. In an extension of government ownership any loss of liberty and freedom for privileged groups as defined and measured by legal concepts will be more than offset by a gain in liberty and freedom for under-privileged groups as defined and measured by economic opportunity and the full development of individual capacity to utilize the opportunity.

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ARE TIME DEPOSITS MONEY?[1]

Several recent writers hold that time deposits must be converted into demand deposits before they can be used as a means of payment and, therefore, may not be considered money like demand deposits. Based on this conclusion, they make new plans for banking reform and business cycle control.

This paper attempts to show that time deposits like demand deposits are money and that, therefore, the concepts of money of these writers and their plans for banking reform are not well founded.

The series of data which they usually use to represent the supply of money are inadequate because they exclude all time deposits. They do not appreciate that time and demand deposits are essentially the same in many respects, and that savings banks create demand deposits the same as time deposits. But deeper still, "means of payment" cannot be used as synonymous with "money."

In his recent work[2] Dr. Lauchlin Currie attempts to map out an effective plan of control of the money supply. He believes that incomes and the price level may be stabilized if the supply of money is properly regulated. To this end he derives a series of data giving the total supply of money in the United States, 1921-1933. From this series he excludes time deposits on the ground that they must be converted into demand deposits or cash before they can be used as money.[3] He contends that the banking system should be divided into a Monetary Authority on the one hand and savings banks on the other. Control over the supply of money would be given to the Monetary Authority through its power over the creation of demand deposits. The existing banks, as a class, could continue to meet the borrowing needs of their local customers with their steadily increasing savings deposits.[4] He also suggests the removal of all reserve requirements against time deposits under the existing system.[5]

If, however, time deposits as well as demand deposits are money, then much of Dr. Currie's scheme falls to the ground, and control[6] is a much more complex and difficult matter than Dr. Currie would have us believe. Whether or not time deposits are money is, therefore, very significant from the point of view of banking reform and control of business cycles. The

[1] The writer wishes to express his appreciation for the assistance given him in the preparation of this paper by Professors Charles A. Dice and Virgil Willit of the Ohio State University.

[2] *The Supply and Control of Money in the United States*, 1934 (Harvard University Press).

[3] *Ibid.*, pp. 14-15.

[4] *Ibid.*, pp. 151-52. There are a number of persons who hold ideas similar to the one just stated. Professor Irving Fisher, of Yale University, for example, advocates the so-called "100% money," by which he means demand deposits only, excluding time or savings deposits. See *Hearings before the Committee on Banking and Currency*, United States House of Representatives, on H.R. 5357 (74th Congress, 1st session), 1935, pp. 518, 521-22, and also Fisher, Irving, *100% Money*.

[5] Currie, *op. cit.*, p. 163.

[6] It is to be noted that the following discussions are primarily based upon the concept of money. The problem of control of money involves a train of related problems. The limit of this paper, however, prevents us from going into any further discussion of related problems.

inadequacy of Dr. Currie's series lies in the fact that time deposits are excluded. They should be included for the following reasons.

Some time deposits were actually subject to check up to 1932. Before 1933, some member banks devised special savings accounts on which checks could be drawn without the presence of the depositor at the bank. "An investigation of the turn-over of these so-called savings accounts indicates that they were less active on the whole than demand accounts in the same banks, but much more active than other time accounts in many sections of the country."[7] That is, a part of the time deposits has been actually used as "means of payment" in the same manner as demand deposits. This is recognized by Dr. Currie[8] as well as by the Committee on Member Bank Reserves. If the criterion of money is direct withdrawability by check, Dr. Currie should have included those time deposits which were actually checked against up to 1932.[9]

Time deposits are counterpart of interbank and intrabank deposits. In the final analysis a considerable amount of time deposits is nothing other than the counterpart or duplicate of two special forms of demand deposits —namely, (1) interbank deposits and (2) intrabank deposits. This is not as yet generally realized. It therefore needs further explanation.

First, interbank deposits are the counterpart or duplicate of either demand or time deposits at other banks. Let us assume that there is, in a given community, a total supply of money consisting of $4,000,000 cash. Suppose, further, that there are but two banks accepting both demand and time deposits and that their condition at a given time is as follows:

Bank A

Assets		*Liabilities*	
Cash	$2,000,000	Demand deposits	
		Mr. A	$1,000,000
		Mr. B	1,000,000
Total assets	$2,000,000	Total liabilities	$2,000,000

Bank B

Assets		*Liabilities*	
Cash	$2,000,000	Demand deposits	
		Mr. X	$1,000,000
		Mr. Y	1,000,000
Total assets	$2,000,000	Total liabilities	$2,000,000

[7] *Report of the Committee on Member Bank Reserves*, Federal Reserve Board, 1931, p. 15.

[8] *Op. cit.*, p. 16.

[9] Dr. Currie fails to make such a necessary adjustment in his series. See his book pp. 25-33. It would be difficult to ascertain the amount of time deposits withdrawable without notice. But it is a well known fact that the public generally considered time deposits as readily available for use.

Now suppose Mr. A draws a check for $1,000,000 to pay Mr. Z who deposits it with Bank B as a time deposit. Likewise, Mr. X draws a check for $500,000 to pay Mr. C who opens a checking account at Bank A. The condition of the two banks then becomes the following:

Bank A

Assets		*Liabilities*	
Cash	$2,000,000	Demand deposits	
Due from banks	500,000	Mr. B	$1,000,000
		Mr. C	500,000
		Due to banks	1,000,000
Total assets	$2,500,000	Total liabilities	$2,500,000

Bank B

Assets		*Liabilities*	
Cash	$2,000,000	Demand deposits	
Due from banks	1,000,000	Mr. X	$ 500,000
		Mr. Y	1,000,000
		Due to banks	500,000
		Time deposits	
		Mr. Z	1,000,000
Total assets	$3,000,000	Total liabilities	$3,000,000

All this is merely a matter of transferring the title to money from one individual to another. Neither new money is created nor old money destroyed. Actually the total supply of money remains unchanged. Formerly it consisted wholely of demand deposits, but now it is split into demand deposits ($3,000,000) and time deposits ($1,000,000). The $1,500,000 of interbank deposits are just the counterpart or duplicate of $1,000,000 of time deposits at Bank B and $500,000 of demand deposits at Bank A. But, for Dr. Currie, money is now reduced or destroyed by $1,500,000 because he excludes both time deposits and interbank deposits. This is evidently not in accord with reality, when the banking institutions are considered as a unit.

Second, intrabank deposits being eliminated in the bank statements are the counterpart or duplicate of time deposits at the savings department of the same bank. When a depositor transfers his demand deposits into time deposits at the same bank, it results in an increase in the intrabank deposits and a decrease in demand deposits at the commercial department. No money is increased or destroyed. This may likewise be illustrated by a series of balance sheets. The fact is so plain, however, that such an illustration is not necessary.

It is not claimed that all interbank and intrabank deposits are represented by time deposits or that all time deposits are represented by interbank and intrabank deposits, but in so far as interbank and intrabank deposits dupli-

cate time deposits such time deposits should be included in the total monetary supply.

Reasoning from his own inadequate series of the total supply of money, Dr. Currie denies any close relationship between the creating and the loaning of money.[10] This alleged independence of the supply of money and the loaning of money is the very foundation on which he builds his so-called "ideal" monetary system as before mentioned. In what follows we shall attempt to explain two points, which are crucial.

Savings banks create time and demand deposits the same as commercial banks. Dr. Currie denies that loans and investments made by savings banks will create time and demand deposits the same as commercial banks.[11] In the following analysis we shall find that his notion is open to question.

Let us suppose that there are only two banks in a given community, one is a commercial bank and the other a savings bank. Suppose, further, the condition of the two banks is as follows:

Commercial Bank

Assets		*Liabilities*	
Cash	$2,000,000	Demand deposits	
Loans and Investments	8,000,000	Mr. A	$2,000,000
		Mr. B	6,000,000
		Due to banks	2,000,000
Total assets	$10,000,000	Total liabilities	$10,000,000

Savings Bank

Assets		*Liabilities*	
Due from banks	$2,000,000	Time deposits	
		Mr. C	$2,000,000

According to Dr. Currie's definition the supply of money in this situation amounts to only $8,000,000.

Now suppose the savings bank lends Mr. D $2,000,000. In so doing the bank draws a check against its balance with the commercial bank (*i.e.*, interbank deposits). If Mr. D redeposits the check with the latter, then the total demand deposits will amount to $10,000,000—an increase of $2,000,000. That is, new "money" is created, according to Dr. Currie's own definition, through a loan by the savings bank.

Now suppose Mr. D instead of depositing the check with the bank, pays Mr. E, and the latter redeposits it with the savings bank as a time deposit. No changes will take place in demand deposits or interbank deposits, but a new time deposit amounting to $2,000,000 is created. This

[10] *Ibid.*, p. 152.

[11] In saying that "an increase in loans and investments may, of course, accompany an increase in either time or demand deposits," Dr. Currie shows a thorough understanding of the mechanism of the creation of money. See his book, p. 51. But later, on pages 151-52, he denies this important mechanism at least in so far as savings banks are concerned.

transaction like the one above results in an increase of $2,000,000 of bank liabilities to pay the public. Mr. E considers the $2,000,000 his money the same as if he had a demand deposit.

Suppose the savings bank instead of making a loan buys from Mr. D $2,000,000 of government bonds and pays him with a check as before. If the check is redeposited with the commercial bank, it will result in an increase in demand deposits of $2,000,000 and a decrease of interbank deposits by the same amount. If the check is deposited at the savings bank or simply a credit is taken, then time deposits are increased by $2,000,000. In both cases a bank liability of $2,000,000 to pay depositors is created.

But Dr. Currie would argue that no "money" is created if the check is redeposited with the savings bank. This is, however, not correct. To say that time deposits are not money is the same as saying that Mr. D can at his own free will destroy money simply by depositing his check with the savings bank.

Again when loans are repaid, or when bonds are sold to the public, there will be a net decrease in bank liabilities to pay, *i.e.,* money. This is true because the borrower may pay his loan at the savings bank or pay for a bond bought from it with a check on his time deposit at the savings bank quite as readily as by a check on a demand deposit at a commercial bank. Mr. D in the illustration above may build up a time deposit at the savings bank and at maturity of his loan pay it with a check on his time deposit. Thus he discharges a "debt-contract" with a time deposit.

It is by now manifest that savings banks can by the extension of loans or the purchase of securities create time and demand deposits within the banking system. They can also extinguish them by recalling the loans or selling government securities. That is, the supply of money is closely related to the loaning of money. (The word loaning is here used to include the making of commercial loans, discounts and investments.)

Total money supply is closely related to total loans and investments. The conclusion stated above may be verified by a comparison of the total money supply and the total loans and investments of all banks other than federal reserve banks.

A new series of the total money supply of the United States, 1921-1933, is presented in the following table (Column I).[12] These figures are derived by adding total currency (notes and coins) held in the hands of the public (*i.e.,* outside federal reserve banks, all other banks, and the Treasury), and total deposits of all banks other than federal reserve banks (exclusive of interbank deposits).[13]

This new series shows, as it is expected, a striking and close relationship

[12] These figures, for simplicity, are presented in billions of dollars. No allowance is made for "float," figures for which, though not available, are estimated to be much less than one billion.

[13] Our method of compilation is based upon the conclusion arrived at in the latter part of this paper.

with the total loans and investments, figures for which are also presented in the table (Column II) for convenience of comparison.

In contrast, Dr. Currie's series (Column III) does not show this correspondence.

TABLE I.—THE MONEY SUPPLY OF THE UNITED STATES, JUNE 30, 1921–1933
(000, 000, 000 omitted)

	Total money supply	*Total loans and investments*	*Currie's series of total money supply*	*Time deposits*[1]	*Per cent change from preceding year* *Total money supply*	*Currie's total money supply*	*Time deposits*
	I	II	III	IV	V	VI	VII
1921	39	40	22	17			
1922	41	40	21	20	+5.1	−4.5	+17.7
1923	44	43	22	22	+7.3	+4.8	+10.0
1924	47	45	23	24	+6.8	+4.5	+9.1
1925	51	48	24	27	+8.5	+4.4	+12.5
1926	53	51	25	28	+3.9	+4.2	+3.7
1927	55	53	26	29	+3.8	+4.0	+3.6
1928	57	57	26	31	+3.6	—	+6.8
1929	57	58	26	31	—	—	—
1930	58	58	25	33	+1.7	−3.8	+6.5
1931	55	55	24	31	−5.2	−4.0	−6.1
1932	46	46	20	26	−16.5	−16.7	−16.1
1933	43	40	20	23	−6.5	—	−11.5
Per cent increase 1921–1929					+45.9	+18.3	+82.5
Per cent decrease 1929–1933					−24.6	−23.1	−25.8

Sources: Column I was derived from data from the *Annual Reports* of the Federal Reserve Board and the *Annual Reports* of the Comptroller of the Currency. Column II was taken from the *Annual Report* of the Federal Reserve Board for 1933, p. 160. Column III was taken from Currie's Table I (Column XX). See his book, p. 31. Column IV represents the difference between Columns I and III.

[1] In Column IV is a series of data giving the estimated time deposits. This series is derived from the data in Column I minus that in Column III, on the assumption that the former presents a true picture of the total money supply and the latter a true picture of demand deposits and cash combined.

This is not difficult to explain, however, for total loans and investments give rise to total deposits, time and demand; but Dr. Currie's series represents only demand deposits plus cash. Consequently changes in the former cannot exactly correspond to changes in the latter. Actually they do not correspond. Dr. Currie is, of course, not unaware of this pertinent fact.[14]

We have seen that money is not created independently of bank loans and investments. It then follows that Dr. Currie's "ideal" plan lacks a solid foundation. Furthermore, sooner or later the "ideal" plan would collapse, because, if no limit were placed on loans by savings banks, time deposits

[14] *Op. cit.*, p. 50.

could increase indefinitely and could be converted into demand deposits *in toto* if the depositors so desired. During a period of rapidly increasing time deposits the deposits of savings banks with commercial banks might readily be used as reserves, and loans many times the amount of these reserves could be made by the savings banks, resulting in a further increase of time deposits. The plan would be safe as long as the public had confidence in the savings banks. In case confidence were shaken, the "ideal" system would completely break down. The Monetary Authority would not accept any securities other than government bonds in creating new checking accounts, and the savings banks would not have enough government bonds to offer as security for loans. If the savings banks could not obtain new checking accounts at the Monetary Authority by re-discounting commercial or agricultural paper, they would not be able to pay the time depositors. In other words, the savings banks would fail in large numbers. The Monetary Authority would in turn be endangered if not completely broken down.

In the opinion of Dr. Currie, time deposits should be regarded as investments.[15] It seems that the nature of time deposits has been completely misunderstood.

Time and demand deposits are of identical nature. In the preceding paragraphs we have pointed out two salient facts—namely, (1) time deposits may be the counterpart or duplicate of interbank and intrabank deposits, and (2) time and demand deposits are created in the same ways by savings banks and commercial banks. Moreover, they are practically of the same nature in many other respects. The Committee on Reserves of the Federal Reserve Board correctly pointed out that the essential difference between demand and time deposits lay in the rapidity of turnover, not in the nature of the deposits.

(1) They are bank liabilities to pay the public. In accepting a deposit a bank is liable to pay sooner or later. This is of paramount importance, for the solvency of a bank depends upon its ability to pay demand and time deposits. This is fully recognized by American bankers. Although time depositors may be legally required to give 30 or more days' notice before they can withdraw their money, banks in general before 1933 never invoked this privilege.[16] Furthermore, the appalling bank failures during 1931 and 1932 were accompanied by heavy withdrawals of time as well as demand deposits.

(2) Both of them have, from the standpoint of bank liabilities to pay, but one turnover. A bank is liable to pay a specific amount of dollars to or for a particular depositor but once and once only. It cannot make a

[15] *Ibid.*, pp. 14-15, and 50. Dr. Currie is not the only one who makes time deposits analogous to government securities. Professor Irving Fisher, for example, says: "They (time deposits) are really investments, like a Liberty bond." See *Hearings before the Committee on Banking and Currency*, United States House of Representatives, on H.R. 5357 (74th Congress, 1st session), 1935, p. 518.

[16] The writer is informed that, at present, time deposits are again readily withdrawable.

second payment to or for the same depositor unless a new deposit is accepted or created. That is, no depositor can order his bank to make a duplicate payment out of the same deposit regardless of whether it is a time or a demand deposit.

It is the usual practice of American bankers to require a borrower to maintain on the average 20 per cent of the loan as a deposit with the bank. It is also the usual practice to grant any worthy borrower a line of credit in an amount not greater than five times the average balance of his deposits. There is thus on the whole about one-fifth of the total demand deposits created by bank loans tied up with the lending bankers as deposits not available for use, unless the accounts are finally closed. If that inactive portion of demand deposits should be included in the total supply of money there is no good reason for the exclusion of the active part of time deposits.

(3) Time and demand deposits are interchangeable with each other, unit for unit, and moreover, their interchange will not affect the amount of the total bank liabilities to pay the public at the moment when such interchange takes place. It results merely in a shift of bank liabilities to pay from one kind to another, or from one bank to another. This has been clearly demonstrated in conjunction with the discussion of interbank deposits.

True enough, such interchanges will tend either to increase or decrease the total money supply in the future. This is because of the present undesirable discriminatory reserve requirements.

(4) They are alike interchangeable with currency.[17] This is too obvious to need any explanation. It should be emphasized, however, that such interchange will not affect the total supply of money possessed by the public at the moment when it takes place. In the case of interchange with bank notes, it is but a transference from note liability to deposit liability. In the case of interchange with Treasury currency, it is merely a transference of liability to pay the public from the state to the banks.

(5) They are generally considered by the public as the same thing—its "purchasing power" available for use whenever needed. The public may keep its "purchasing power" (*i.e.,* money) on hand, or with the banks as it desires. How the public should keep its money is a matter not to be dictated by the bankers. When the public deposits its money with a bank it has the right to withdraw sooner or later. In ordinary times it may not ask for cash but in a panic it will, as a rule, withdraw both deposits in cash. If demand deposits are regarded as money, why not time deposits? Both must be paid in cash if desired by the public.

Time deposits differ essentially from government securities. At first sight

[17] The interchangeability of one kind of currency into another, and the interchangeability of currency into bank deposits both time and demand, are the keys to the maintenance of parity of paper currency and bank deposits.

there seems to be no great difference, because, as Dr. Currie argues, both must be converted into cash or demand deposits before they can be "spent."[18] But, on closer analysis, the distinction is sharp and obvious.

No one can "spend" a government bond in the same way as he does a time deposit. In "spending" the former he converts it into cash or demand deposits "at market value" which fluctuates from moment to moment, depending on the bond market situation. In spending the latter, however, one can as a rule interchange it with cash or demand deposits "unit per unit." Moreover the conversion of the former before it can be "spent" is necessary, but not always so in the case of the latter. Time deposits are bank liabilities to pay, but government bonds are not. When owned by a bank, government bonds are, like bills discounted, bank assets which do differ essentially from bank liabilities such as time deposits. When owned by an individual they are investments acquired by the payment of money.

The sharp distinction between these two will be better seen if the effect on the banking and monetary system resulting from transactions in bonds is compared with that from interchange of time deposits with demand deposits and cash. As was said before, no changes in the total supply of money take place when bank deposits and cash are interchanged. But the sale of bonds by individuals to banks as a class may, as pointed out elsewhere, mean an increase in the total money supply and the purchase by individuals from banks may result in a contraction. The purchase and sale of government bonds between individuals themselves will result merely in the transference of money from one party to another, but the position of the system as a whole remains unchanged. Neither expansion nor contraction takes place.

Reserve requirements against time and demand deposits should be equal. The present writer is one among others[19] who favor the principle of varying reserve ratios as an instrumentality of control of bank deposit liabilities and bank note liabilities. He, however, does not agree with Dr. Currie's suggestion in regard to reserve requirements against time deposits. Not only should there be reserves against time deposits, but the reserve discrimination should be abolished,[20] because time and demand deposits are basically of identical nature. The relatively low reserve against time deposits was a major factor in making possible the great expansion of deposit liabilities between 1921 and 1929, when time deposits increased much more rapidly than demand deposits and cash combined.[21] (See above

[18] *Op. cit.*, pp. 14-15.

[19] See the *Report of the Committee on Member Bank Reserves*, Federal Reserve Board, 1931, pp. 6 and 16-17.

[20] *Ibid.*, p. 6.

[21] The rapid increase in time deposits relative to demand deposits has been international in its scope. For a treatment on the influences which have brought this about see Elmer Hartzel, "Time Deposits," *Harvard Business Review*, October, 1934, pp. 33-34.

Table I, column VII.) Moreover, time deposits outstanding were in all years except 1921 and 1922 larger than demand deposits and cash combined. They constitute the largest element in the composition of the total supply of money and cannot be overlooked. Furthermore, the appalling bank failures in 1931 and 1932, for instance, were surely due in large part to the heavy withdrawal of time deposits which occurred in the period under consideration.

The fundamental defect of Dr. Currie's treatment of time deposits and related problems lies chiefly in the fact that his concept of money is far from satisfactory. He makes "money" synonymous with "means of payment"[22] and then makes the latter include only cash and "adjusted" demand deposits subject to check.[23] To translate it into an equation, his concept of money appears to be the following:

$$\text{Money} = \text{Means of Payment} = \text{Cash} + \text{Checkable Deposits}$$

This, likewise, is not satisfactory. Money is "delivered," or the title to money is "transferred," not only by means of cash and check, but also by notice and telegram. Time deposits, too, may be "delivered" to settle debt contracts even if restricted to the payment of loans at banks. Therefore, to say cash plus demand deposits subject to check equal money is evidently unsatisfactory. Furthermore, the term "means of payment" has been much abused and has become too ambiguous to have any scientific value.

The term "means of payment" describes but one phase of the meaning of money. It indicates only in what form money is "spent," but not in what form it may be "kept." In the modern banking and monetary system money may be kept in one form and spent in another. This is possible and is always done today because all forms of money issued either by banks or by the state must be interchangeable to maintain parity. Therefore "means of payment" loses its significance as the only criterion of money.

One distinguishing characteristic of money is, as Dr. Currie has aptly pointed out, the power of settling transactions.[24] But this alone is not satisfactory. Money in whatever form it is kept and spent must be of general acceptability and of free interchangeability. By these criteria, all other credit devices are automatically eliminated because they are not generally acceptable and cannot be freely interchanged into one another. Treasury currency, bank notes, time and demand deposits are, as said before, constantly interchanging into one another unit per unit without altering the total supply of money.

It seems from all the discussion that we are now in a position to redefine

[22] Currie, *op. cit.*, p. 10.
[23] *Ibid.*, pp. 12-13.
[24] *Ibid.*, p. 11.

money in terms of the modern banking and monetary system.[25] Our definition of money then is, bank liabilities and Treasury (non-interest bearing) liabilities to pay the public, which may be held as such or may be used by delivery or by transference of title to discharge debt contracts and price contracts.[26]

The modern system of making payments depends on the working of the principle of offsetting debits and credits arising from the indirect exchanges of goods and services.[27] This is true especially in the United States.[28]

Conclusion

It is by now apparent that time deposits are money and that Dr. Currie's arguments are open to criticism. By fixing in mind a narrow concept of money, he has failed to make a necessary adjustment to include those time deposits which up to 1932 were actually subject to check—the only criterion of money he holds in regard to deposits. By using two incomparable series of comparison, he has jumped to the false generalization that the supply of money and the loaning of money could and should be divorced. By mistaking time deposits as investments, he has suggested a dangerous reform, the removal of all reserve requirements against time deposits. By assuming that time deposits are not money and that loans by savings banks cannot create deposits, he has suggested the so-called "ideal" but not well founded monetary system. All such difficulties may be easily avoided by defining money in terms of the modern banking and monetary system.

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[25] Following J. M. Keynes's notion rather closely, Dr. Currie gives his own definition of money as "those instruments possessed by the public by delivery of which debt contracts and price contracts are discharged." (See his book, p. 11.)

[26] The phrase "bank liabilities to pay the public" is here used to include both (a) currency liabilities and (b) deposit liabilities. Deposit liabilities include United States deposits, certified and cashiers' checks and cash letters of credit and travelers' checks and deposits not classified (for banks other than national) as well as time and demand deposits. See the *Annual Report* of the Federal Reserve Board for 1933, pp. 172-73. While the phrase "Treasury (non-interest bearing) liabilities to pay the public" denotes Treasury currency including United States notes, silver certificates, gold certificates, Treasury notes of 1890 and coins in the hands of the public, cash in the vaults of the Treasury and all banks as well as interbank (and intrabank) deposits are automatically excluded because they are not held or possessed by the public.

[27] For detailed explanation of the principle, see the present writer's doctoral dissertation entitled *"Federal Reserve Currency,"* ch. 1, abstracted in *Abstracts of Doctors' Dissertations,* no. 17, pp. 80-81, Ohio State Univ. Press, 1935.

[28] Mr. J. E. Meade defines the amount of money as the total deposit liabilities of the member banks plus the amount of notes held by the public. See his article "The Amount of Money and the Banking System," *Economic Journal*, March, 1934, p. 77. Dr. Currie is of course aware of the fact that there has been an increasing tendency in recent years to classify them (time deposits) as "money." (See his book, p. 14.) But he fails to recognize that this is a correct tendency.

THE CHAIN STORE IN THE UNITED STATES AND CANADA

The chain store is an important distributive agency in both the United States and Canada, although it has seen a somewhat greater development in the former country. During the last half of the twenties the number of chain units approximately doubled, expansion still proceeding at a rapid rate when depression set in. Although the number of units has been somewhat curtailed (but not in all fields) in the last five years, the importance of the chain as shown by its percentage of total sales has continued to increase. This increase has been relatively more in the United States. In both countries development has taken place in similar fields with a significant degree of concentration in a few fields where highly standardized operation is possible, for example, the food and variety fields. Large chains, as is to be expected, are more important in the United States where many of the so-called local chains are large according to Canadian standards. The chain store in both the United States and Canada shows a decided tendency toward concentration in urban areas.

I

It is the purpose of this article to draw a comparison of the position of the chain store in the United States with the position it occupies in Canada. Such a comparison is now possible as a result of the statistics on retailing gathered by the United States Bureau of the Census covering the years 1929 and 1933 and by the Canadian Bureau of Statistics covering the years 1930 through 1933. While these data do not make possible all the comparisons one might wish, they do provide an interesting picture of the extent and trends of chain-store development.

A first prerequisite to such a comparison is a workable definition of a chain store. The 1929 United States Census of Distribution defined a chain store as one of "a group of reasonably similar stores in the same kind or field of business, under one ownership and management, merchandised wholly or largely from one central merchandising headquarters and supplied from one or more distributing warehouses or directly from the manufacturer on orders placed by the central buyers."[1] In theory, this definition is probably as significant as any yet formulated. Under it mere ownership of a group of stores or the number of stores in the group are not the only deciding factors as they are in many definitions of the chain store.[2] We might have single ownership of a group of ten or even more stores in the department store field and yet not have a real chain as each store of the group might be large enough to have its own merchandising departments.[3] Each store of the group might also meet the requirement of buying directly

[1] *Retail Distribution, Summary for the United States*, p. 15.

[2] For example, according to the Federal Trade Commission a chain is an organization "owning a controlling interest in two or more establishments which sell substantially similar merchandise at retail. . . ." *Chain-Store Price Policies*, 1934, p. 29.

[3] For example, the Federated Department Stores group. The term merchandising is here used as covering "such activities as selecting the product to be . . . stocked and deciding such details as . . . quantities to be bought . . . , time of purchase . . . , price lines to be carried . . . , sales promotion activities, and the like." *Cf.* "Definitions of Marketing Terms," *National Marketing Review*, Fall, 1935, p. 158.

from the manufacturer. But until control over the stores is sufficiently centralized so that a large degree of the merchandising function is handled at headquarters (or at a branch headquarters if the chain is large enough to be divided into divisions), we have no chain.[4]

In practice, however, this definition is not usable because the reports of neither the United States Census nor the Canadian Bureau of Statistics show whether or not the various groups of stores are centrally merchandised. As a result, we must fall back on the number of stores under one ownership as the basis of a definition. This means that some arbitrary number must be chosen and the assumption made that the majority of groups of stores of this size really possess the requirements to be classified as a chain. As long as we are dealing with a large number of groups so that a few errors are of no great importance, this assumption is probably sound. For the purpose of this article (with some exceptions noted in the footnote) we shall classify as a chain all groups of four or more stores having central ownership.[5]

II

In 1929 the Census found 1,543,158 retail stores doing business in the United States and of this number 148,037 or 9.6 per cent were chain-store units. By 1933, although the total number of retail stores declined somewhat (1.1 per cent), the number of chain-store units declined even more (4.3 per cent) and were equal to but 9.3 per cent of all retail stores (*cf.* Table I). In contrast to this falling chain ratio in number of stores, in sales the chain-store ratio[6] actually increased from 20 per cent in 1929 to over 25 per cent in 1933. At least in part this gain in the chain sales ratio is misleading and will probably recede if the business cycle continues its upward course. This is because chain sales are relatively heavy in staples and well advertised goods, the sale of which is not affected to a significant degree by a depression. As the business cycle swings upward it is to be expected that the sale of goods other than those sold by the chain store will increase faster so that the chain ratio will fall. In spite of this, however, it probably is true that the chain store has made a real gain in sales ratio in the United States during the depression—perhaps as much as 2 per cent.

In Canada the same trend of the chain-store sales ratio is likewise evident, although the increase has not been as great. In 1930 the ratio stood

[4] The Federal Trade Commission states that it is erroneous to believe that "a fundamental and distinguishing characteristic of chain-store organization is centralized management and control." *Cf. Chain-Store Price Policies,* p. 29. However, it seems that the Commission defines centralized management as practically 100 per cent centralized management which, of course, is not what the Census definition means. This definition simply means that ultimate control and a large part of the actual management is at headquarters although an important part may still be delegated to store managers.

[5] In the United States data ownership groups and local branch systems are excluded. In Canadian data all department stores are excluded.

[6] Ratio of chain-store sales to total retail sales.

at 17.7 per cent and in 1933 at 18.5 per cent. Apparently the chain stores of Canada have not developed relatively as much as they have in the United States.[7] Although data for 1933 are lacking, this same smaller relative development is also shown by the 1930 ratio of chain stores to total stores which stood at 6.5 as against 9.6 for the United States in 1929. On the other hand, it is likely that the increase in chain sales ratio in Canada from 17.7

TABLE I
CHAIN-STORE UNITS, SALES AND COMPANIES

Item	United States		Canada	
	1929	1933	1930	1933
Retail stores	1,543,158	1,526,119	125,000[a]	[b]
Chain stores	148,037	141,603	8,097[c]	7,900[c]
Chain ratio	9.6 per cent	9.3 per cent	6.5 per cent	[b]
Retail sales (000)	$49,114,653	$25,037,225	$2,755,577	$1,776,884
Chain sales (000)	9,834,846	6,312,769	487,336	328,737
Chain ratio	20.0 per cent	25.2 per cent	17.7 per cent	18.5 per cent
Chain companies	7,061[d]	5,546[d]	518	461

Source: *Chains and Independents, Census of American Business, Retail Distribution: 1933,* p. 2B. Also *United States Summary: 1933,* v.i, p. 30; *Retail Chains in Canada,* Dominion Bureau of Statistics, 1935, p. 16.

[a] Approximate figure. *cf.* Whittley, "Retail Trade in the United States and Canada," *Journal of Political Economy*, Feb., 1935, p. 55.

[b] Unavailable.

[c] This figure represents average number of units in business during the year so is not strictly comparable with U. S. data.

[d] This figure is not comparable with that for the number of units used in this table due to classification differences.

to 18.5 for 1930-1933 should not be closely compared with that of 20 to 25.2 per cent in the United States for 1929-1933. Actually the chain ratio for Canada has probably gained more than 0.8 per cent during the depression because the ratio for 1929 would have been less than for 1930. This is based upon the sound assumption that the greater fall of total retail sales over chain sales in 1930 raised the chain ratio for that year over 1929. In spite of this, however, we are still safe in saying that as yet the chain store has not reached as great a relative development in Canada as it has in the United States and that its relative gain from 1929 to 1933 was not at as rapid a rate.[8] In both countries the chain has made relative sales gains during the depression.[9]

[7] It probably is true that some of the department store groups omitted from the Canadian statistics might well be classified as chains. If this is true the Canadian chain sales ratio would be somewhat increased.

[8] On the other hand, department store business is relatively more developed in Canada than in the United States, the sales ratios for 1933 being 13.6 and 10.2 per cent, respectively.

[9] This gain in sales ratio is, of course, for chains as a whole. That it is not true of chains in all fields is shown below in Table II.

Table I also affords another interesting comparison. In both countries while the number of chain-store units declined but little (4.3 per cent in United States and 2.4 per cent in Canada), the number of chain-store companies declined 21.5 per cent in the United States and 11 per cent in Canada. Put in other words, the depression has *apparently* led to a considerable decrease in the number of small chain companies for if we divide the number of stores disappearing by the number of chains disappearing we find that the average chain which disappeared had about four units in both countries.

TABLE II
CHAIN-STORE SALES AND SALES RATIOS IN LEADING FIELDS

Field	United States				Canada			
	Sales (000) 1933	Rank	Chain ratio		Sales (000) 1933	Rank	Chain ratio	
			1929	1933			1930	1933
Grocery and meat	$2,209,000	1	38.5	44.1	$ 98,607	1	29.5	33.2
Variety	618,333	2	89.2	91.2	33,349	2	89.1	89.5
Filling station	543,682	3	33.8	35.5	14,071	3	22.4	29.4
Drug	267,299	4	18.5	25.1	11,001	4	18.2	19.3
Restaurant	196,800	5	13.6	14.9	7,129	6	17.7	17.1
Shoe	196,249	6	38.0	46.2	7,115	7	21.5	27.1
Women's apparel	134,255	7	22.7	23.4	4,029	13	12.3	9.0
Motor dealer	112,703	8	[a]	5.3	9,455	5	[a]	4.3
Men and boy's apparel	107,553	9	21.2	22.0	5,405	10	13.7	12.1
Furniture	78,418	10	14.2	14.2	4,317	12	22.8	18.7
Cigar	64,396	11	25.1	33.9	5,446	9	25.4	25.3
Household appliance	42,669	12	2	21.5	5,300	11	[a]	[a]
All fields	6,312,769		20.0	25.2	328,737		17.7	18.5

Source: *Chains and Independents*, *op. cit.*, pp. 2A, 3. *Retail Chains in Canada*, *op. cit.*, pp. 2, 14. Government operated liquor stores have been excluded.
[a] Unavailable.

It should be made clear, however, that the above paragraph should not be interpreted to mean that the rate of *failure* of small chains was greater than that for large chains. In actual fact the available statistics give no indication of this because, although a reduction in number of stores from four to three would show as the disappearance of one small chain (as it would let the group fall under the arbitrarily set limit of four stores), a reduction in stores from 100 to 75 (the same percentage decrease) would not show as the disappearance of a large chain organization. It would be perfectly possible for the disappearance of the whole 1,515 United States chains to be accounted for simply by having 1,515 small chains close but one or two stores, thus throwing them out of the chain-store classification; and yet not a single company would have really failed. That this reduction in the number of stores by small companies was an important factor in

causing a disappearance of firms is evident from the Canadian statistics which show that of the 518 chains in business in 1930, 55 had actually gone out of business by 1933, while 80 had simply reduced the number of stores below the four-store limit. In this same period 23 new chain companies were formed, while 55 chains came into existence by the expansion of one, two, or three-store firms into the four-store or more classification. We must conclude, therefore, that the rather high rate of disappearance shown by chain companies during the depression is very misleading unless interpreted in relation to the arbitrarily set limit of four stores as marking the division between independent and chain-store operation. In the upswing of the business cycle a large number of these companies which have "disappeared" may open one or two units and come back into the chain-store classification.

TABLE III

DATE OF ESTABLISHMENT OF CHAIN-STORE UNITS

Field	*United States*			*Canada*		
	Number of units, 1929	*Opened since 1924*		*Number of units, 1930*	*Opened since 1925*	
		Number	*Per cent of '29*		*Number*	*Per cent of '30*
Food	49,967	27,971	56.0	2,669	1,806	67.7
Drug	3,513	2,063	58.7	292	130	44.5
Restaurant	2,679	1,424	53.2	290	130	44.8

Source: *Retail Chains, Census of Distribution, 1930*, pp. 26, 202, 225. *A Decade of Retail Trade, 1923–1933*, Dominion Bureau of Statistics, 1935, p. 6.

III

It is of particular importance to notice that in both countries the chain store has tended to reach its greatest development in similar fields of operation. In both the first four fields of importance as measured by sales are identical while of the twelve most important fields in the United States eleven are also the most important in Canada. Similarily there is a high degree of concentration in the four most important fields. In the United States 58 per cent of all 1933 chain sales took place in food, variety, filling station, and drug-store chains, while in Canada the comparable figure was 48 per cent. These comparisons are set forth in Table II and they lend additional support to the fact that the standardized operations possible in certain fields make them ideally suited for chain-store operation.

Table II also reëmphasizes the fact that the Canadian chain store sales ratio for all fields as a group is less than that for the United States and it further shows that this is true in practically every field taken individually. In the food field, for example, the United States chain ratio for 1933 was

44.1 as against 33.2 for Canada, in the variety field 91.2 as against 89.5, and so on. Only in the restaurant field and the furniture field is this tendency reversed. Likewise the chain sales ratio increased during the depression in a larger number of fields in the United States than it did in Canada. In the ten leading fields for which comparable ratios are available the United States chain ratio advanced in nine and remained constant in one. On the other hand, in Canada the ratio gained in five, fell in four, and was practically constant in one. The advance of the chain in the United States is apparently on a much broader front.[10]

TABLE IV
CHAINS BY TYPE OF OPERATION

Type	United States, 1929			Canada, 1930		
	Units	Sales (000)	Per cent sales	Units	Sales (000)	Per cent sales
Local	52,465	$3,293,890	30.7	1,257	$ 64,465	13.2
Sectional	41,083	2,191,250	20.4	4,379	280,739	57.6
National	51,058	3,960,087	36.9	2,461	142,132	29.2
Unclassified	15,032	1,295,158	12.0			
Totals	159,638[a]	10,740,385[a]	100.0	8,097	487,336	100.0

Source: *Retail Distribution, Summary for the United States:* 1929, p. 28. *Retail Chains in Canada,* 1933, p. 19.

[a] As a result of Census classification differences, these totals do not correspond with those used in Table I.

IV

An element of marked similarity between the development of chain stores in the two countries is that of the recent origin of a large part of all chain units. This is illustrated by Table III which shows the percentage of all opened in a five-year period. Of all the United States grocery, meat, and combination grocery and meat chain units doing business in 1929, 56 per cent date their existence as chain units from 1925 or later. In Canada, of those in business in 1930, 68 per cent date from later than 1925. In the drug and restaurant fields the same trend is evident, and if the Table were extended to include other fields we should find the same thing. In both countries the chain store is a recent development. That the chain was still rapidly expanding in number of units just previous to the depression should lead one to be careful in predicting (based on depression trends) that the chain store has reached the peak of its development.

[10] This conclusion, it should be noted, is based on 1929-1933 data for U.S. and on 1930-1933 data for Canada. If 1929-33 data were available for Canada the situation would appear somewhat more favorable to the Canadian chain, although the general conclusion would still hold true.

V

In Table IV is presented a comparison of United States and Canadian chains on the basis of the type of operation. In this Table a local chain refers to one operating substantially all of its units in or around some one city. In the United States Census figures a sectional chain is one with all units located in any one geographical area, for example, the New England or Middle Atlantic States. The Canadian statistics have two classifications (provincial chains, stores in more than one town but within one province; and sectional chains, stores in two or three provinces) which together seem fairly comparable to the single United States classification of sectional

TABLE V

CHAINS CLASSIFIED AS TO SIZE

Size	*United States, 1929*[a]				*Canada, 1930*[b]			
	Chains	*Stores*	*Sales (000)*	*Per cent sales*	*Chains*	*Stores*	*Sales (000)*	*Per cent sales*
Less than 26...	2,003	14,698	$ 701,966	14.8	456	3,219	$194,628	39.9
26–100........	174	7,826	385,575	8.1	48	2,320	120,291	24.7
Over 100......	106	72,663	3,675,894	77.1	14	2,558	172,417	35.4
Totals........	2,283	95,187	4,763,435	100.0	518	8,097	487,336	100.0

Source: *Retail Chains*, 1929, pp. 30, 33, 36, 73, 115, 226. *Retail Chains in Canada*, 1933, p. 30.

[a] Food, variety, filling station, and drug chains only.

[b] All Canadian chains.

chains and are so used in Table IV. A national chain in the United States is one operating in more than one geographic area and, while this may be a somewhat broader division than the Canadian national chain which operates in four or more provinces, it is here used as fairly comparable to the similar Canadian classification.

Apparently chains operating in and around one city are much more important in the United States where they account for 30.7 per cent of all chain-store sales than they are in Canada where their percentage is but 13.2 per cent of all. On the other hand, as regards sectional chains the situation is just reversed, these being much more important in Canada. The fact that 51.1 per cent of all United States chain sales and 70.8 per cent of all Canadian chain sales are transacted by local and sectional chains is a matter of considerable importance in relation to the present widespread agitation against the chain-store form of retailing. Too many agitators against the chain think only in terms of the large national chains and do not realize that the drastic special tax laws they propose will fall on the locally owned

chain company as well as on the national organization.[11] In the United States these national chains transact somewhat over a third of all chain-store business while their proportion is somewhat less in Canada.

Yet it should not be thought that just because a chain is classified as a local chain it is necessarily a small organization. Especially is this true in the United States where but 14.8 per cent of all chain food, variety, filling station, and drug units are owned by organizations operating less than 26 units while 30.7 per cent of all chains are classified as local chains (*cf.* Tables IV and V). Of course, if data were available so that chains of all fields in the United States could be classified as to size we should find a larger percentage of sales in the hands of chains with less than 26 units; but it is doubtful if the percentage would be increased to as much as 20 per cent. Apparently a number of the local and sectional chains operate over 100 units each, as 77.1 per cent of all United States chain-store sales in the four leading fields are by chains of this size. What we seem to have in the United States in addition to a very large number of small chains is a considerable number of chains of over 100 units with their operations confined to one large city and its suburbs or, at the most, to one geographical division.

In Canada the tendency for a number of the local chains to be large organizations does not exist. In fact, the tendency is quite the opposite, as chains of less than 26 units do 40 per cent of the business while only 13 per cent of all chain sales are classified as transacted by local chains. Hence, many of the sectional chains and perhaps some of the national chains operate less than 26 units each. It is evident from Table V that chains in general in Canada are of much smaller size than they are in the United States as but 35 per cent of all sales are transacted by chains having over 100 units. In Canada the national chain with units from coast-to-coast is relatively undeveloped.

VI

A final comparison has significance: in both countries chain-store development, while widespread, has reached its greatest heights in specific areas. In Canada over 59 per cent of all chain stores and 68 per cent of all chain sales are concentrated in the two provinces of Ontario and Quebec.

[11] It is true that the national chains, especially in the grocery field, will bear the heaviest tax burden per store as they tend to have the greatest number of stores in any state (the special chain tax rates increase with the number of stores), but there are a large number of cases where the locally owned chain will also fall within the heavy tax brackets. For example, in 1929 there were 19 local chains in the shoe field having from 11 to 25 units each, one other having 43 stores and another 51. *Cf.* C. F. Phillips, "State Discriminatory Chain-Store Taxation," XIV *Harvard Business Review* 3, Spring, 1936, p. 354. Under the California chain tax the maximum rate is reached at the tenth store and many local chains of that state will find themselves paying as high a tax per store as the national chain companies.

In the United States in 1929, 50 per cent of all chain stores and 54 per cent of all chain sales were in the Middle Atlantic and East North Central areas. As these are areas with a large degree of urban population, it is still true that the chain store is primarily an urban institution.

VII

In summary, then, the chain store in both the United States and Canada is already of great importance as a distributive agency; and its importance as measured by its sales ratio increased during the depression. Its importance and rate of growth is relatively greatest in the United States. In number of units operated the chain about doubled in importance in the last half of the twenties, expansion still proceeding at a rapid rate when depression set in. During the depression the number of units has been somewhat curtailed. In both countries development has taken place in the same fields with a marked degree of concentration in a few fields where highly standardized operations are possible, especially in the food field. In the United States chain sales tend to be concentrated more in the hands of the larger chains than they are in Canada. Even many of the so-called local chains are large organizations as measured by Canadian standards. Finally, in both countries chain sales are still heavily concentrated in urban areas.

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LEAGUE SANCTIONS AND FOREIGN TRADE RESTRICTIONS IN ITALY[1]

The remarkable shrinkage in the volume of Italy's export trade during the depression and the consequent unbalance in the country's international accounts, caused, in 1934, the adoption of the elaborate system of import licenses, quotas and exchange controls described in this article. When the League of Nations economic sanctions were imposed in November, 1935, Italy consequently had at her disposal a well developed machinery for the control of her foreign trade. This machinery was effectively used by the Italian government in retaliating against the import limitations of sanctionist countries and in endeavoring to avoid dangerous unbalances in Italy's own trade accounts. While the volume of Italian exports was greatly reduced by the sanctions, Italy succeeded, mainly through the government's policy of drastic import limitation, in maintaining her commercial balance virtually unchanged. After the abandonment of sanctions the outlook for an early return to normal international trade relations in Italy remains unfavorable; for stringent trade and exchange limitations are being continued in force by the fascist government in an effort to achieve a stable commercial balance and a maximum of economic self-sufficiency and of political independence.

On July 15, 1936, 241 days after they had been imposed, the economic sanctions of the League of Nations against Italy were lifted; and trade relations were resumed between Italy and the 52 countries which had participated in the economic siege. It is thus now possible to look back upon this unusually interesting period of political and economic history and to attempt a description and an evaluation of the effects which the sanctionist experiment has had upon the economic structure of the country upon which it was tried. It will not be the purpose of this article to deal with the effect of sanctions upon the Italian economy as a whole, but rather to analyze their effects upon one particular sector of Italy's economic system: that of foreign trade and of the country's commercial policy.

To facilitate the understanding of the discussion which is to follow, it will be well to begin with a few general introductory remarks upon the recent course of Italy's foreign trade policy. In Italy as elsewhere the world depression caused a remarkable shrinkage in the volume of foreign trade and a growing deficit in the commercial balance. Under normal circumstances a large trade deficit is not a cause for alarm in Italy. Because of her lack of raw materials and of basic natural resources, Italy has had, for years, an "unfavorable" balance of trade; for years the country's imports have exceeded her exports.[2] Through the invisible items of her balance of international payments (especially through expenditures of foreign tourists and the remittances of Italian emigrants) these deficits were, in the past, made

[1] Grateful acknowledgment of assistance in the financing of a period of study in Italy, of which this article is a partial result, is made by the author to the Social Science Research Council of New York and to the administration of the College of St. Thomas, St. Paul, Minn.

[2] The course of Italy's imports and exports during the last decade and a half and the condition of the country's balance of trade are shown by the following data:

up without undue difficulty. With the coming of the depression, however, both Italy's commodity exports as well as her invisible exports were severely reduced.[3] In the face of this reduction there occurred for a while, as the figures given in footnote 2 show, a considerable reduction in imports. This made it possible for Italy to maintain for some time the equilibrium in her international accounts. In 1931, however, a slow but progressive widening of the gap between commodity exports and imports began to take place. Imports, it is true, decreased, but not sufficiently to keep pace with the decrease in exports. As the figures given below indicate, in 1931 Italian exports paid for 88 per cent of the country's imports; in 1932 exports paid for 82 per cent of Italian imports; in 1933 exports paid for only 80 per cent of imports; in 1934 imports increased while exports continued to decline and the country's exports consequently paid for only 68 per cent of the im-

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ITALY'S FOREIGN TRADE

(in millions of lire)

Year	*Imports*	*Exports*	*Trade deficit*
1909–13[a]	12.474	8.877	3.597
1920[a]	16.276	7.859	8.417
1921[a]	13.868	7.487	6.381
1922[a]	14.141	9.596	4.545
1923[a]	15.006	11.137	3.869
1924[a]	16.009	13.653	2.356
1925[a]	19.833	15.908	3.925
1926[a]	19.124	15.648	3.476
1927[a]	19.641	15.071	4.570
1928	21.920	14.559	7.361
1929	21.303	14.884	6.419
1930	17.347	12.119	5.228
1931	11.643	10.210	1.433
1932	8.268	6.812	1.456
1933	7.432	5.991	1.441
1934	7.675	5.224	2.451
1935	7.761	5.193	2.568

Source: Compiled from various issues of *Annuario Statistico Italiano* and *Compendio Statistico Italiano.*

[a] Values converted into post-war gold standard lire for purposes of comparison.

[3] The extent of the reduction of some of the most important invisible credit items in Italy's balance of international payments in recent years, is shown in millions of lire:

Year	*Freight and shipping services*	*Tourist trade* (million lire)	*Emigrant remittances*
1929	1.135	2.102	2.120
1930	995	1.930	1.820
1931	700	1.185	1.570
1932	500	830	910

Source: Computed from data on the Italian balance of international payments given by Professor Gino Borgatta in his *Trattato Elementare di Statistica,* Milan, 1933.

ports. The remainder, amounting in that year to over two billion four hundred million lire had to be paid for by other means.[4]

The absence or insufficiency of these means caused a gradually increasing strain on the foreign exchange markets, frequent outflows of gold and a consequent, noticeable pressure upon the country's gold reserves. This situation and the inherent threat to the stability of the Italian currency, gradually led to a complete reversal of the comparatively liberal commercial policy which the Italian government had, so far, pursued. As other European countries had done, Italy saw herself compelled to adopt, in her turn, the system of import quotas, import licenses and restrictions which had been in use for some years in other European countries.

Before April, 1934, when the first important restrictive measures were adopted, Italy had pursued a comparatively liberal commercial policy. The trade treaties which were concluded with other nations, were, in the main, still based upon the traditional principles of full freedom of importation and exportation and upon the most-favored-nations clause. This is particularly true of the period preceding 1927, during which sincere efforts were made to liquidate the economic results of the World War and to resume normal trade relations. During these years the trade treaties negotiated on the basis of Italy's new Tariff act of 1921 followed in the main the liberal principles of the country's pre-war trade policy. The only exception, and a notable one, for it became the basis upon which most later restrictions were made to rest, consisted in the insertion in the new treaties of a clause directed against countries in which import restrictions against Italian commodities were in force, stating that Italy reserved the right to adopt import

[4] The following table, obtained in part from Francesco Saccá—"Sulla Nostra Bilancia Commerciale," *Economia,* April, 1935, clearly shows the progressive widening of the gap between Italian imports and exports in recent years in millions of lire:

Years	*Imports*	*Index* (1929=100)	*Exports*	*Index* (1929=100)
1929	21.303	100	14.884	100
1930	17.347	81	12.119	80
1931	11.643	55	10.210	67
1932	8.268	39	6.812	46
1933	7.432	35	5.991	40
1934	7.675	36	5.224	35
1935	7.761	37	5.193	35

Years	*Deficit*	*Index* (1929=100)	*Exports in per cent of imports*
1929	6.419	100	70
1930	5.228	81	70
1931	1.433	22	88
1932	1.456	22	82
1933	1.441	22	80
1934	2.451	38	68
1935	2.568	40	67

restrictions and to prohibit certain imports altogether whenever exceptional economic conditions should make such restrictions or prohibitions necessary.[5]

After 1927 and the unsuccessful outcome of the International Economic Conference convened at Geneva, at which the hoped-for world tariff truce and general reduction of tariffs failed to materialize, the pursuit of a liberal commercial policy became more and more difficult. Protectionism, extended by many countries to the field of agriculture, made rapid forward strides. The situation became critical after 1929 when the cessation of American loans and the devaluation of the pound and other currencies made it extremely difficult if not impossible for most countries of continental Europe, still in need of raw materials but suddenly deprived of important export markets, to balance their commercial accounts. The adoption of restrictive measures, of import quotas and licenses, of exchange controls and barter agreements was thus undertaken on an unprecedented scale. The comparative freedom of trade which had prevailed in earlier years, ceased to exist. In most commercial treaties the most-favored-nations clause was replaced by the application of the reciprocity principle through which restrictive measures adopted by foreign countries were answered with even more stringent restrictions at home. A situation revealing an unprecedented state of economic nervousness and tension and conducive not to a widening but to a progressive shrinkage of the volume of world trade was thus gradually developed.

Italy, as indicated above, was one of the last countries to succumb to the general trend. When France, in the summer of 1931, adopted a rigid system of import limitations and quotas, Italy saw herself forced to reply in kind and to adopt a series of import restrictions against French commodities, formally laid down in a reciprocity agreement stipulated with France in February, 1932. The harmful results of these restrictive policies soon became clearly evident: in 1932 Italo-French trade showed a decline of almost 50 per cent as compared with 1931. Apart from this important exception, however, Italy's foreign trade policy remained fundamentally unchanged up to 1934. Then the effect of the world depression, of world-wide currency devaluations and of restrictive measures adopted by almost all other countries forced a drastic change in Italy's policy. On April 14, 1934, four important staple commodities—wool, copper, oil seeds and coffee—ceased to be admitted into the kingdom without a special import license. During the first eight months of 1934 reciprocal trade treaties based on mutual compensation agreements were concluded with seventeen countries.[6] On De-

[5] *Cf.* Angelo di Nola, "L'Evoluzione della Politica Economica Internazionale con Particolare Riguardo all'Italia," *Rassegna di Politica Internazionale,* Nov., 1935.

[6] *Cf.* On. Alberto Asquini, then Undersecretary of Corporations, speech made at the Bari Fair, September, 1934.

cember 8, 1934, a decree was published forcing all Italian exporters to sell to the National Foreign Exchange Institute all the foreign exchange received and all the foreign credits granted to them in payment of their exports. Through the royal decrees of February 16 and March 30, 1935, the importation of a wide variety of commodities was submitted to definite license and quota restrictions. After April 1, 1935, a considerable number of commodities could thus be imported into Italy only if a special import permit was obtained from the Ministry of Finance; a large number of others was admitted without ministerial license, but—with the exception of countries with which "clearing" agreements were in force and from which imports could be made up to 100 per cent of 1934 amounts—only up to certain percentages, ranging from 10 to 70 per cent of the amounts imported during the corresponding period of 1934.[7] On July 28, 1935, a governmental import monopoly was established for coal, coke, tin, nickel, and copper and henceforth these commodities could be imported into the kingdom only by a specially delegated government authority.

When on November 18, 1935, the League of Nations economic sanctions were applied against Italy and 52 nations suddenly ceased their purchases of Italian commodities, Italy consequently already had at her disposal a well developed machinery for the control of her foreign trade. This machinery could now be easily used to curtail the country's imports still further, on the one hand to retaliate against the policy of restriction adopted by the sanctionist countries and on the other to bring Italy's imports into line with the now greatly reduced volume of her exports and to curtail drastically all those importations which, regarded by the government as less essential, were now to be substituted with foreign raw materials and supplies required for the conduct of the country's industries and for her African campaign.[8]

[7] On April 1, 1935, "clearing" agreements under which no payments in actual foreign exchange need be made were in force with Bulgaria, Czechoslovakia, Germany, Yugoslavia, Roumania, Turkey and Hungary. Because of special accords, importations up to 100 per cent of 1934 imports were also permitted from Albania, Austria, The Netherlands, Switzerland and Hungary. For France the corresponding percentage was 85 per cent and for Great Britain 80 per cent.

[8] The drastic reduction in her exports (to about 50 per cent of their former value) which Italy suffered as a consequence of the sanctions is indicated, in the absence of official Italian trade statistics which are still kept secret, by the following summary data computed by the London *Economist* from League of Nations' reports and published in its June 6, 1936, issue:

IMPORTS FROM ITALY
(Thousands of "old" gold dollars)

	1934–35	*1935–36*
November (58 countries)	21.550	25.808
December (57 countries)	21.521	17.155
January (66 countries)	19.661	10.158
February (61 countries)	19.190	8.649
March (37 countries)	17.570	9.281

To facilitate the understanding of the rather intricate and elaborate system of foreign trade restrictions which came into being in Italy during 1934 and 1935 and remained in force, with comparatively minor structural changes, during the whole period of the sanctions and some time thereafter (at this writing, the beginning of August, 1936, all the restrictions described in the following pages are still in force) we shall divide them into groups and consider each group separately, as follows:

Group I. Restrictions applying to imports for the payment of which foreign exchange must be obtained through the office of the Undersecretary for Trade and Exchange.[9]

This first major group in turn includes the following sub-groups:

A. Commodities for the importation of which a special license from the Ministry of Finance is necessary.

This includes a large number of commodities and almost all important foodstuffs and raw materials.[10] The procedure followed in issuing the licenses, the main object of which is to eliminate foreign purchases of non-essentials and of commodities which may be obtained internally and to subject other private purchases abroad to definite limitations, is as follows: for each commodity an import quota for the whole kingdom is established by the Office of the Undersecretary for Trade and Exchange on the basis of its own calculations and of the recommendations made to it by 10 special corporative import commissions (giunte corporative per la importazione) consisting of from 8 to 10 representatives of the economic groups (merchants, manufacturers and labor) directly interested in the importation of the commodities in question. Portions in this quota are then assigned by the import commissions to the various "category" federations (the trade associations of the fascist corporate state) grouping together all merchants or manufacturers in a given field of economic activity. The federations then distribute the allotment which they have received among the firms which compose their membership. An import license is then issued to the individual importer by the Ministry of Finance for the allotment which has been

[9] The Office of the Undersecretary for Trade and Exchange, a newly created government department placed at the direct dependence of the head of the government, was established in December, 1935. It combines the previously existing National Foreign Trade and Foreign Exchange Institutes and is the supreme authority in all matters of foreign trade control and foreign exchange regulation. This office possesses the complete monopoly of all foreign exchange transactions within the Italian kingdom.

[10] On July 1, 1936, over 300 items were included in this group. Among the most important commodities listed were: live animals and meats, eggs and dairy products, fish, coffee, sugar, fruit, tea, cocoa, spices, cereals of all kinds, flour, vegetables, wines, edible oils and fats, wool, cotton, hemp, linen and manufactures thereof, silk, iron, steel, aluminum, wood and wood products, cement and stone, soap and perfumes, a number of chemicals, hides and skins, shoes and newsprint.

granted him. The assignment of quotas to the federations and by them to their members is made entirely on the basis of customs receipts (bollette doganali) showing importations made during the period taken by the government as a base period for quota computations. (Usually the corresponding quarter of 1934.)

B. Commodities the importation of which is subject to the so-called "regime a bolletta" (customs certificate procedure).

The importation of commodities in this group may take place without a license but must not exceed a given percentage of the amounts imported from the country of origin during the period which is taken by the government as a basis for quota computations. During the period of the sanctions such quota importations without governmental license were permitted only if the country of origin was not included among the 52 sanctionist countries. Because of the retaliatory measures adopted against them by the Italian government, importations from sanctionist countries were admitted only upon presentation of a special import license issued by the Ministry of Finance.[11] The quota percentages for each commodity, ranging in amount from 10 to 70 per cent, are stated in special lists published and distributed by the Ministry of Finance. Customs receipts issued to Italian importers for actual imports made during the period taken as a basis for quota computations are accepted by the customs authorities as proof of the amount of commodities imported by each firm during that period. It is to these import totals that the quota percentage is then applied in computing the amount of each commodity which the individual firm may actually import.[12]

This important second group of commodities includes a large number of items (over 700) among which are to be found mainly semi-finished and finished manufactures such as textiles, iron, steel and copper manufactures, watches and scientific instruments, vehicles, brick, porcelain, glass

[11] On June 30, 1936, the following were considered to be non-sanctionist countries by the Italian customs authorities: Afghanistan, Albania, Arabia, Argentina, Austria, Bolivia, Brazil, Chile, China, Costa Rica, Ecuador, Germany, Japan, Guatemala, Iceland, Yemen, Manchukuo, Morocco, Nicaragua, Panama, Paraguay, Peru, United States of America, Switzerland, Hungary, Uruguay, Venezuela.

[12] In the types of restrictions here described the amount of each commodity admitted into the country is fundamentally determined through some percentage of previous importations. The system has the advantage that it establishes an impartial and workable method for the allocation of allotments in the national quota to individual firms but it also has the obvious defect that it tends to subordinate the present activity of business enterprises to that of their past. To the younger and perhaps more aggressive enterprises and to new firms little or no opportunity for development is given, while older concerns may find themselves in a position of privilege not justified by the current rate of their activities. Moreover, since the proof of past imports upon which current allotments are based, consists of customs certificates which are for all practical purposes anonymous, a good opportunity for a lucrative trade and speculation in such certificates exists.

and glassware, wood manufactures, chemicals, and a large variety of rubber and paper manufactures and of wearing apparel. In cases of special need the law provides that applications for permission to import in excess of the quota may be made to the proper government authority. Such permissions, however, are granted only in very exceptional instances.[13]

C. Commodities for which an import monopoly was established and which may be imported into the kingdom only by the competent government authority.

As was said above, through a royal decree issued on July 28, 1935, a government monopoly for the importation of coal, coke, tin, nickel and copper was established. Since then these commodities may be imported into the kingdom only by the Purchase Department of the Italian State Railways, the special government authority to which their mass importation was entrusted. This government office then redistributes the amounts imported to private firms on the basis of a given percentage of their base period importations. The monopoly was established primarily with the intent to limit private purchases of the commodities in question abroad, to encourage domestic production thereof and to avoid speculative increases in their domestic prices.[14]

Group II. Restrictions applying to imports for which payment is made through private compensation agreements.

The system of private compensation agreements in force since March, 1935, consists in its essence in an attempt on the part of Italian importers to find exporters able and willing to put at their disposal the foreign credits obtained for their exports, which credits the importers may then in turn use as means of payment for their foreign sellers. The number of commodities for which private compensation agreements are allowed has been

[13] With regard to the commodities included in this second group it must be noted that the apparent severity of import restrictions is in practice considerably attenuated by the fact that from countries with which "clearing" agreements have been negotiated, importations are permitted up to 100 per cent of 1934 import totals. Since, as has already been indicated (*cf.* footnote 7), a number of important countries belong to this group, the practical effect of restrictive measures in this field is to prevent any imports in excess of 1934 amounts rather than to achieve a material reduction of 1934 totals. Restrictions were quite effective during the period of the sanctions, however, when all "clearing" agreements with sanctionist countries were suspended.

[14] It is interesting to note that for one of these commodities, coal, there was established, in February, 1936, a special government controlled corporation, the "Azienda Italiana Carboni," the main task of which is to encourage the production and distribution of domestic coal. Such coal, it may be added, exists in fairly large quantities in Italy but is mostly of rather inferior quality.

strictly limited by the government.[15] All importations through private compensation agreements are subject to license, and for each commodity a total import quota is fixed. In some cases this quota is established in addition to the one considered in Group I (A); in others, notably in the case of coffee and cocoa, it represents the only amount of that commodity which may be imported into the country as no other import licenses are granted by the Ministry of Finance.

After April 1, 1936, private compensation agreements were further limited by a provision restricting such agreements to certain well defined groups of import and export commodities. Thus, for instance, rubber products, meat extracts and scrap iron and steel, which are included in one of these groups on the import side, may be imported only if a sufficient amount of canned vegetables, the one commodity included in the corresponding export group, can be sold abroad.[16] Compensation agreements may be entered into only after authorization is given by the Ministry of Finance and may be carried out only through the medium of six large Italian banks acting as brokers for the parties and as agents for the Office of the Undersecretary for Trade and Exchange.[17] Ordinarily compensation agreements may be concluded only with countries which are buying Italian commodities while selling their own goods to Italy; in some special cases, however, triangular agreements are also permitted. Aside from commodities subject to government license, private compensation agreements are also allowed for some commodities for which no import license is necessary but which are admitted only up to a stated percentage of previous importations, properly evidenced by customs certificates. *(Cf. Group I (B).)*

During the period of sanctions especially there was strict government control and limitation of private compensation agreements. This was done mainly in order not to diminish unduly the amount of exports through which actual foreign exchange, much needed for the purchase of certain essential raw materials and military supplies, could be obtained.[18]

[15] The following are the most important among the 24 commodities for which such agreements are permitted: olive oil and other animal and vegetable fats and oils, jute, cotton, rubber, scrap iron and steel, hides and skins, codfish, meat extract and oats. Coffee and cocoa are admitted into the country by way of private compensation agreements exclusively.

[16] Among other groups of this nature are: oil seeds, the importation of which must be paid for by corresponding exports of cheeses, artificial textile fibers (chiefly rayon) and machinery; raw cotton, which must be paid for by wines and silk manufactures; and jute which must be paid for by exports of wines and hemp and linen textiles.

[17] These six banks are: the Banco di Napoli, the Banco di Sicilia, the Banca Nazionale del Lavoro, the Banca Commerciale Italiana, the Credito Italiano, the Banco di Roma and the Banca d'America e d'Italia.

[18] A further reason for strict control and limitation of private compensation agreements, lies in the fact that, as the exchange obtained for his exports may be sold by the exporter to the importer for as much as it will bring, the premiums at which such exchange was sold, were, at certain times, quite considerable. This, of course, tended to increase the lira price of imports, to raise domestic prices for imported goods and also, in the case of

Group III. Commodities the importation of which has not been subjected to restriction.

The list of these commodities is short and includes only manuscripts, newspapers, printed books, musical scores, and gold, silver and copper coins.

Group IV. Export limitations.

On the whole there are no serious limitations of Italy's export trade. Only a comparatively small number of commodities is subject to export license; for all others exportation is free.[19] During the duration of the sanctions, however, the Italian government required that a special permit be secured for all exports to sanctionist countries for which actual payment or a confirmed credit with an Italian bank had not been obtained before the shipment was to leave Italy.

As was indicated at the beginning of these notes, the elaborate system of trade restrictions here described is not primarily the product of the economic sanctions levied against Italy. The system, due mainly to the weakness of the Italian balance of international payments and to the consequent effort on the part of the Italian government to avoid unusually large trade deficits, existed, practically in its entirety, for some time before sanctions were applied and has continued, with little change, after they were lifted. During the period of the sanctions the already existing, elaborate machinery for import curtailment was merely used with added vigor and thoroughness. No commodities could be imported from sanctionist countries without special government licenses; such licenses, however, were granted in practice only for a few essential commodities which could not be obtained from any of the non-sanctionist nations. The detrimental effect of these drastic Italian restrictions upon the export trade of some of the leading sanctionist countries is graphically illustrated by the numerical data reported below.[20]

What were the practical effects of the drastic trade restrictions adopted by the Italian government? Did they achieve their main objective of avoiding increasingly severe trade deficits? As far as it is possible to judge from such evidence as is available it must be recognized that the policy of trade limitation has been, so far, quite successful. In 1935 the country's total imports amounted to 7,761,1 million lire and her exports to 5,192,8 million, the

raw material imports, to increase the prices of certain exportable manufactured goods, thus contributing to make exports more difficult and premiums on foreign exchange even higher. Recently, however, the moderating influence of the six large banks through which all such transactions must now be cleared, the vigilance of the office of the Undersecretary for Trade and Exchange and the improved international political outlook have tended to reduce these premiums considerably.

[19] Among the most important commodities for which such limitations exist are wheat and other grains, hemp, iron, lead and copper ore, scrap iron and steel, bauxite and aluminum, wood, several chemicals and rubber tires and tubes.

deficit of 2,568,3 million being only slightly larger than that of 2,451,3 million in 1934. In May, 1936, in a speech made before the Italian Chamber, the Italian Minister of Finance announced that during the months of December, January, February and March 1935-36 the total deficit of the country's balance of trade, even disregarding exports to her African possessions, was actually less than that which had existed during the corresponding months of the previous year—a notable result achieved primarily through the intensive use made during this period of the machinery for the curtailment of imports described in the preceding pages. It is not impossible, therefore, that, after the abandonment of sanctions and the consequent resumption by Italy of her normal export activities, the stringent policy of import limitation which continues to be pursued by the government will succeed, as its sponsors hope, in preventing a material increase in the country's trade deficit during 1936.[21]

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[20] EXPORTS INTO ITALY AND ITALIAN COLONIES

(Percentages calculated from values in "old" gold dollars given in League of Nations reports)

Countries	*1934–35 Nov.-Feb.*	*1935–36 Nov.-Feb.*	*March, 1935*	*March, 1936*
Great Britain	100	14.05	100	10.10
Australia	100	14.81	*	*
New Zealand	100	14.81	*	*
Denmark	100	15.25	*	*
Union of South Africa	100	22.30	*	*
India	100	24.84	100	25.36
Canada	100	28.22	*	*
Greece	100	31.59	*	*
Jugoslavia	100	32.62	100	10.97
Portugal	100	33.06	*	*
Norway	100	35.28	*	*
Czechoslovakia	100	45.76	100	92.20
Spain	100	52.38	*	*
Poland	100	55.10	100	46.79
Belgium-Luxemburg	100	57.64	100	57.58
Holland	100	63.92	100	51.29
France	100	69.62	100	22.67
Russia	100	81.16	100	62.63

* Data for a number of countries not available for March, 1936.

Cf. Giuseppe Parenti, "L'Efficacia delle Controsanzioni Italiane," *Rivista Internazionale di Scienze Sociali,* July, 1936.

[21] *Cf.* Paolo Thaon de Revel, Italian Minister of Finance, speech made before the Italian Chamber on May 19, 1936. If it is true that, on the one hand, through her policy of stringent import restriction, Italy has succeeded in avoiding a serious unbalance in her trade accounts during the period of the sanctions, one is led to believe, on the other, that a drastic and prolonged curtailment of her essential imports could not, in the long run, but have seriously impaired the effectiveness of the country's industrial system. To this crucial question Italians reply—and the argument, as the author was able to ascertain by personal observation, is not without force—by pointing out that large stocks of raw materials had been accumulated by all Italian industries before the sanctions went into effect, that domestic substitutes for foreign imports were being evolved by Italian industrialists

What then, we may ask in conclusion, is the outlook for the future of Italy's international trade? In the judgment of many of the Italian economists and foreign trade experts with whom he had an opportunity to discuss these problems in detail, as well as in the author's own opinion, the outlook for the return of freer international trade in Italy is, at least for the immediate future, distinctly unfavorable. The sanctions episode has taught the Italian nation that through a policy of stringent trade restriction and regulation an unusually high degree of economic autarchy can be achieved. If one remembers that after recent experiences strong currents favoring pronounced economic self-sufficiency within the new empire and permanent limitation of Italy's trade with former sanctionist countries have developed within the country, and that, even though large trade deficits are being avoided, Italy's international economic position is still far from favorable, one is led to conclude that, unless other factors, such as a further, notable improvement in general world economic conditions and an early abandonment of their trade limitations by other countries, bring about a marked change in the situation, the policy of stringent trade regulation and restriction which Italy is now following, and the consequent reduced volume of her international trade, are likely to continue for some time to come.[22]

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with success and rapidity. A favorite example is the new textile fiber *lanital,* a substitute for wool obtained from the caseine contained in skimmed milk and now produced on a fairly large scale by the Snia-Viscosa Company. And, finally, that if both technical inventiveness and government regulation should, in certain cases, have failed to provide, the spirit of patriotic sacrifice aroused by the imposition of sanctions in the Italian people would have enabled them to bear willingly even serious want for the sake of what was for them a great national cause.

[22] Since this article was written and set in type, an event has occurred which makes necessary a further word on the probable future of Italy's international trade. On October 5, 1936, following the example of France and of the other European gold block countries, Italy reduced the gold content of the lira by about 40 per cent and brought the exchange rate between the lira, the dollar and the pound back to the parities of 19 and 92, respectively, at which they had been fixed when the Italian currency was stabilized in 1927. This step was accompanied by several legal enactments designed to prevent a rise in the domestic cost of living. Among them were the abolition of the 15 per cent import duty decreed in December, 1931, on most imported commodities, the reduction of the duty on wheat from 750 to 470 lire per metric ton (with similar reductions for flour and all other cereals), the reduction of the duty on cattle by 65 per cent, that on fresh meat by 60 per cent, that on olive oil by 40 per cent and that on eggs by 64 per cent. The duty on coal was reduced from 10 to 5 lire per ton and that on coke from 42.50 to 30 lire; and fat, bacon, lard and raw cotton were put on the free list.

Little doubt there can be that the devaluation of the Italian currency, the new trade treaties which are now being negotiated by the Italians and the aforementioned reductions in important import duties will have a stimulating effect upon Italy's international trade and will gradually make unnecessary some of the most rigid import and exchange controls described in this article. On the other hand, however, it is well to bear in mind that this process of readjustment promises to be slow and gradual and that the return to a régime of unrestricted dealings in the foreign exchanges and of importations controlled solely by the traditional system of import tariffs does not, as yet, appear to be in sight.

Explanatory Note on the Review of Röpke's "Crises and Cycles"

In a recent issue of the AMERICAN ECONOMIC REVIEW (December, 1936) Professor Howard S. Ellis criticized my book on *Crises and Cycles* in such a generous and sympathetic spirit that it would be both ungrateful and unwise for me to take issue with him on one or the other points where our opinions possibly diverge. In fact, there are very few points of this kind, and I myself would be the first to admit the lamentable shortcomings of my book. It is for an entirely different reason that I make a comment on Professor Ellis' review: I am not going to defend my book, but I should like to defend a theoretical position which very possibly I bungled in my book and which, if properly stated, seems to me not only tenable but of the utmost importance for a real understanding of the cyclical process.

As every student in this field knows, the most crucial point of the theory of crises and cycles is the problem of the turning-points, especially that of the upper turning-point which marks the passage from the boom to the depression. Why the breakdown? Is it inevitable, and if so under what conditions? In my book—as in my earlier writings, especially in my paper "Kredit und Konjunktur" (*Conrads Jahrbücher*, March-April, 1926)—I tried to give a definite answer to this question, but it is exactly here where Professor Ellis finds my exposition bewildering.

Reducing my reasoning to the simplest and, I hope, least equivocal terms, I start by saying that my theory—the elements of which are far from being my own invention—might be called a *monetary over-investment theory. Over-investment,* because, in contrast both to the theories of Hayek and Keynes, I lay stress on the fact that, mainly according to the acceleration principle, every sudden and voluminous change of the stream of production in favor of the production of capital goods (in a sense still open for more exact definition) will and must be a disturbing factor of the first magnitude, no matter how this change is brought about. *Monetary,* because our economic system is so constructed that, owing to the relative stability of voluntary savings, an abrupt and voluminous rise of investments, which surpasses the adaptive power of the economic system (over-investment), is hardly conceivable without the additional financing facilities provided by periodic credit expansion. So it is by credit expansion that over-investment periodically becomes possible in our economic system, and it is through over-investment that credit expansion works its way to the crisis, which also explains why it cannot be continued indefinitely even when the technical limitations imposed by the liquidity position of the banking system would be removed. This seems to be the regular process corresponding to the structure of our present economic system, but since over-investment is the real root of the trouble another economic system could be conceived where the additional financing facilities provided by credit expansion are replaced by what I called "authoritarian forced saving." I tried to develop this theme elsewhere in my article on "Socialism, Planning, and the Business Cycle" published in the *Journal of Political Economy* (June, 1936).

This is the central proposition of my theory around which all necessary modifications and refinements have to be arranged. I hope that its outstanding weakness will no longer be its lack of logical coherence, and I hope further that

it will have become clearer what I mean by the notoriously elusive term of *over-investment.* This term, of course, cannot be defined beforehand quantitatively—it is only by its consequences that we can tell whether the amplitude of an investment wave is "too great" in the sense that a serious recession appears inevitable.

Finally, I hope that it will now be understood what I mean by a sentence which seems to have made Professor Ellis (and, I am afraid, also other readers) particularly uneasy. I am referring to my statement that it is the excess of investments over savings which is the essence of the boom (p. 131). Although, I admit, the wording and phrasing I use are objectionable and even misleading, the essence of the statement seems to me not only compatible, but identical, with the gist of the monetary over-investment theory explained above.

To repeat then: (1) What matters is the absolute rise of investments whether financed by voluntary savings or by credit expansion or by authoritarian forced savings ("real" factor). (2) In our economic system, however, an increase of investments, which surpasses the safety zone in tempo and volume, is hardly possible were it not for the additional facilities provided by credit expansion (monetary factor). (3) Consequently, an absolute increase of investments of the dangerous kind will, in our economic system and under normal circumstances, take the form of a (relative) increase of the volume of investments over the volume of voluntary savings. (2) and (3) are identical statements. (4) As a further consequence, which marks the divergence between Hayek and myself, it has to be realized that over-investment would not be averted by filling the gap between investments and savings by an increase of savings if such a thing would be possible. As for the contrast between the theory of Keynes (of the *Treatise on Money*) and mine, I am afraid I could not much improve on what I said about it on p. 109 of my book. Perhaps I might add that focusing attention on the increase of investments over savings involves the danger of overlooking the "real" process of over-investment which makes the breakdown inevitable.

The more I have penetrated into the intricate problems of crises and cycles, the more I have learned to distrust the "dilettantism of the monistic solutions." It is for that reason that I do not want to leave the reader of my book or of this note under the impression that by emphasizing the simple formula of the monetary over-investment theory I preclude the possibility of combining it with a number of other elements which give additional reasons for the inevitability of the breakdown of a boom which has progressed beyond a certain point. But this is not the place to go into those ramifications of the problem.

In concluding this note, I repeat that it was not my aim to argue with my very able and urbane reviewer whether what I tried to elucidate here is to be read in my book or not. Possibly it is, possibly it is not. I only wanted to show that in reality the merry-go-round of ideas as it appeared to Professor Ellis after reading the darker passages of my book perhaps does not exist. That is all that matters.

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When Savers Are Not Saviors

In an article on "Capital Supply and National Well-Being" in the AMERICAN ECONOMIC REVIEW for June, 1936, Mr. Snyder concludes that "the savers are the true saviors of society"; and, since the largest savings are made by receivers

of the largest incomes, "the greater the 'concentration of wealth,' *i.e.*, income, in the hands of the few, the greater the capital supply, and therefore the greater the gain in national well-being" (pp. 223, 224).

It is here acknowledged that this generalization is an extremely important half-truth. Significant and striking statistical relationships between the rates of growth of "the reproductive capital employed in industry," "the value of manufactures," "total primary power," "product per capita," "wage payments," "total deposits and note issues," "total long-term debt," and "national income," appear on the face of the article to support the conclusion and are here accepted as appreciated contributions. The reason why the conclusion is a dangerous half-truth is that it ignores the economic consequences of variations in the ratio between the amount of money savings and the requirements of business for new capital.

National well-being requires under present conditions a substantial equality between money savings on the one hand and expenditures for increasing and improving productive processes and equipment on the other. If the latter are greater than the former, incomes of workers tend to increase more rapidly than the current output of consumers' goods. Debts are created faster than they are liquidated. Business is, therefore, subjected to an acceleration which cannot be maintained and which must end in depression. If, on the contrary, money savings are accumulated faster than they can be appropriately employed, one or more of the following results will come to pass: falling prices, increasing inventories, or increase of unused productive capacity. The day of reckoning can be postponed as long as the rate at which commercial bank loans and other types of debt are being created is sufficiently in excess of the rate at which they are being liquidated, to finance the excess of money savings. But in a relatively short period this process results in an unstable credit structure, the collapse of which awaits merely some disturbing little shock.

In other words, money savers are social saviors only when their savings are promptly and appropriately spent and are thereby converted again into consumer incomes available for taking the current supply of consumers' goods off the markets. Otherwise, money savings are made at the expense of a lag in consumptive demand, which in turn discourages business expenditure for increasing production, which causes depression. With our present system of economic mechanisms, if the ratio of net annual money savings to annual new capital expenditures varies either way from equality, business depression eventuates.

Mr. Snyder says that the "net realized gain per year, in the reproductive capital employed in industry . . . seems never, or rarely, to have amounted to more than something like five or six per cent of the annual national income" (p. 224). The actual annual expenditure of new capital funds considerably exceeds this "net realized gain," since "we know that a considerable part of this new capital in turn is dissipated in bad ventures and other losses" (p. 220). The annual expenditure of "new capital required for all purposes," from 1925 to 1929, "was not less than six or eight billions, possibly more" (p. 220). For fair measure, suppose the figure to have been approximately eight billions.

What were the money savings of these years? No one knows exactly, but they can be and have been estimated with an accuracy reasonably comparable to that of Mr. Snyder's estimate of "new capital required for all purposes."

Mr. Snyder himself estimates, from corporate tax returns, that from 1923 to 1929 the net amount of dividends paid to individuals tended about to equal the amount set aside by corporations for betterments. That is to say, "about a half

only of the net annual surplus available for distribution" was paid out as dividends (p. 216). The "net dividend payments by all corporations to individuals in good years" are estimated at "four billions or so" (p. 221). Obviously, then, corporations themselves provided from their own receipts in good years about half of the "new capital required for all purposes," which leaves a requirement of four billions to be furnished by individuals.

Two elaborately and carefully compiled estimates are available for individual savings. The Brookings Institution estimate in *America's Capacity to Consume* includes items omitted by W. H. Lough in his compilation in *High Level Consumption*. Let us use Lough's estimate as being the more conservative. The amounts are as follows for the several years: 1923, 7.8 billions; 1925, 10.6 billions; 1927, 10.4 billions; 1929, 9.3 billions (p. 246). These are the net savings of American consumers as a group after deduction of realized profits and capital gains from sales of assets.

Here is convincing evidence that "in good years" money savings exceed the new capital requirements of business very substantially. Excess savings by individuals, which are derived from payments by business for productive services, result in business failing to receive from sales of products an amount equal to its disbursements for productive services, unless the volume of debt grows by an amount equal to, or greater than, the excess of money savings over new capital expenditures.

When, therefore, the annual increase of the debt total begins to be insufficient to finance the year's excess of savings over new capital expenditures, increasing difficulty is experienced by those who are concerned with problems of selling the goods which are, or can be, produced. Consumer buying begins, not immediately to decrease, but to lag behind actual or potential production. Business men, scanning their economic horizon for consumptive demands which might justify new capital commitments, find an increasing dearth of opportunities and therefore new capital expenditures begin to decline. Depression follows, of course.

Any process which causes money savings to increase more rapidly than the requirements of business for new capital is, therefore, destructive of national well-being. The degree of concentration of income which existed during the late "twenties" apparently had this result and hence was excessive.

As a generalization Mr. Snyder's conclusion is a dangerous fallacy because it denies the necessity of our developing some mechanism which will either prevent excess savings or make them consistent with a continuance of prosperity. This can be done, if not with ease, at least with reasonable simplicity.

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Mr. Snyder's Response

Professor Bond's note reiterates the familiar "debt theory" of depressions and finds "convincing evidence that in 'good years' money savings exceed the new capital requirements of business very substantially." And the usual train of disaster must follow. For all this no clear evidence, to the knowledge of the writer, exists. I have dealt at length with these and similar concepts of imaginary 'equilibria' in the article on "The Problem of Monetary and Economic Stability" in the *Quarterly Journal of Economics* for February, 1935, and in previous papers

therein cited;[1] and to these the interested readers and all the noble band of equilibrists are prayerfully referred. For the rest, the mere quantitative relations would suggest immediate scepticism of all this type of ideas.

The estimates of Professor W. I. King, Dr. Friday and other competent inquirers is that the gross 'money' savings of the nation do not usually run over 14 or 15 per cent of the national income, and of this only about one-third goes into reproductive industry. The other 10 per cent goes largely into homes, roads and what I have called 'comfort' or luxury investment. How could the slight variations in this 5 or 6 per cent for reproductive industry bring on the greatest depression in our history? And if in 1929, why not, under almost identical conditions, after 1907?

So far as the writer can see, we cannot "prevent excess savings" because we do not know when they are in "excess." Debts, which may be largely bank credit, as the 14 billions or so of loans on stocks and bonds outstanding in 1929, are not needfully 'savings,' but the reverse. Credit for this colossal sum was manufactured, not saved. But the destruction of this credit was vital. Nor is there any evidence that "the degree of concentration of income which existed during the late twenties" was in any way "destructive to the national well-being," or had anything to do with the disasters which followed, since there is no clear evidence that this concentration of income differed materially from that of "the late tens" or the "late nineties" or any period that can be measured. All of these ideas seem to belong to those deathless fantasies which are the bane of economics, and as the writer sees it, the cause of its present discredit.

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Professor Graham on Reserve Money and the 100 Per Cent Proposal

In this brief note attention is called to an important error in one of Professor Frank D. Graham's fundamental assumptions in which he subscribes in general to the so-called 100 per cent reserve proposal. The significance of this error is far-reaching, as it involves an important point in the difficult problem of banking reform and control of business fluctuations.

Professor Graham's article has contributed much to the understanding of the importance of bank debt as money. However, when he is confronted with the question whether or not to consider time deposits—one form of bank debt—as money, he advances an erroneous assumption in order that he may conform his view with that of the neo-orthodox monetary conception. On page 435 of the September issue of the AMERICAN ECONOMIC REVIEW Professor Graham inserts a footnote which reads:

"It is here assumed that the essential distinction between money and non-money turns on the absence or presence of interest."

In this off-hand manner Professor Graham disposes of one of the most important and perplexing problems in the whole field of monetary theory, especially in its relation to the control of business fluctuations. If we are going to regulate and control our supply of money, we must first of all decide what is

[1] See especially, "Over-production and Business Cycles," *Proceedings* of the Academy of Political Science, June, 1931; and "Concerning Economic Disequilibria and Maladjustments," *Bull. de l'Institut Internat. de Statistique*, vol. 28, part 2, 1935, pp. 404-423.

money and what is not. Only a brief reference to history and to the actual facts is necessary to show that Professor Graham's position, that the essential distinction turns on the absence or presence of interest, has no solid foundation.

Banks in general before June, 1933, paid interest on demand deposits the same as time deposits except at a lower rate and on a larger marginal requirement. Statutory prohibition of the payment of interest on demand deposits was, it will be recalled, first enacted by the Banking act of 1933 only after the unprecedented banking crisis of the same year. This prohibition was incorporated in and amended by the Banking act of 1935. It is worthy of notice that until the expiration of two years after the enactment of this Act, *i.e.,* August 23, 1935, this provision does not apply (1) to any deposit made by a savings bank or (2) to any deposit of public funds made by any state, county, school district, or other subdivision or municipality, or to any deposit of trust funds if the payment of interest with respect to such deposit is required by state law.[1] Further, it should be noted that any state bank which is neither a member of the federal reserve system nor a member of the Federal Deposit Insurance Corporation, still may pay interest on demand deposits the same as time deposits if it deems fit.

Furthermore, it may be pointed out that not all time deposits are entitled to the payment of interest. Time depositors as a rule receive no interest at all if their deposits are below a minimum amount, varying with different banks in different localities.

If the absence of interest were accepted as the essential criterion of money, as Professor Graham suggested, then a large part of demand deposits before, and some of them after, June, 1933, should not be considered as money, while a considerable amount of time deposits should be thus recognized. While Professor Graham would doubtless not agree with such an exclusion of demand deposits and inclusion of time deposits, it is the logical conclusion to which his assumption leads him. He must either accept the conclusion or deny his assumption.

LIN LIN

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[1] *The Federal Reserve Act as Amended to October 1, 1935* (Washington, Supt. Docs., 1935), Sec. 19, par. 12, pp. 116-7.

General Works, Theory and Its History

Economic Principles, Problems, and Policies. By WILLIAM H. KIEKHOFER. (New York: Appleton. 1936. Pp. xxvii, 955. $4.00.)

A new textbook in principles of economics is generally nothing to get excited about; but Professor Kiekhofer's book should command wide attention.

In his arrangement of material, the author follows a rather unusual scheme, dividing the book into six parts: production, exchange, value and price—including distribution—consumption and saving, government income and expenditures, and economic policies and politics. The chapters on price changes and business cycles follow those on distribution, while those on economic policies and politics cover government intervention in the various economic fields. It seems to be a clear and satisfactory arrangement, as worked out by the author.

More definitely than almost any other American economist, Professor Kiekhofer follows Marshall in his treatment of value and distribution. He makes more of marginal cost in discussing normal value than does Marshall, and he conceives of interest as paid for the use of "loanable funds," rather than capital goods; but like Marshall, he points out that marginal productivity is not a complete theory either of wages or interest, and that the marginal productivity theory involves circular reasoning. His discussion of value and distribution seems to the reviewer one of the ablest that has appeared since Marshall.

The author is less concerned about preserving his professional chastity than some of the more straight-laced economists. He not only uses material from psychology, sociology and philosophy where he needs it, but deals critically with faults and maladjustments in the capitalist system, and in some cases formulates policies to correct them.

Professor Kiekhofer is of course no radical, but he approaches all questions in a fine spirit of liberalism. He sees, for instance, that economic power is becoming highly concentrated, and that it is more difficult for men to advance from one class to another; that great corporations do not fit the assumptions of a capitalist society; that government operation of public utilities is not necessarily inefficient; that Russian communism is "well on the road toward realizing its own ultimate objectives." And he expresses his views courageously, yet with such reasonableness that the most patriotic defender of the sacred *status quo* could hardly take offense.

With all its fine liberalism, *Economic Principles, Problems and Policies,* like almost all textbooks in economics, seems to the reviewer to devote insufficient attention to other kinds of economic systems. Socialism is ac-

corded considerable space, and is treated with sympathetic understanding, yet the experience of the Scandinavian countries with coöperation and government intervention is not mentioned. Surely Russian communism and fascism should be worth more than two or three pages each, and probably fascism does not arise fundamentally as a movement to "restore order," as the author suggests, but as the last stand of the property-owning classes, where capitalism fails to function satisfactorily. The question might be raised too, whether fascism should be classed as a distinct economic system, coördinate with capitalism and communism, or whether it is not merely capitalism in its last stand—"capitalism with the lid nailed down." At any rate, with the ominous possibility that the United States, England, and perhaps many other countries, are headed for some form of fascism, should not students be well informed regarding the world-wide class struggle that is going on, and the powerful forces working to destroy democracy everywhere? All this raises the question as to whether economics should deal with only the capitalist system, or with all economic systems; whether it should be confined to American capitalism, or should take the world point of view. Even in America, the drift toward fascism is so strong that if the study of economics is restricted almost entirely to competitive capitalism, students will be ill prepared to meet some of the critical problems that lie ahead.

It would be cavilling, however, to complain because Professor Kiekhofer's book, of nearly a thousand pages, does not cover more ground. With its carefully considered and reasoned doctrine, and its clear and interesting style, it will rank very high among American texts in economics.

John Ise

University of Kansas

On Quantitative Thinking in Economics. By Gustav Cassel. (New York: Oxford Univ. Press. 1935. Pp. vii, 181. $2.25.)

On Quantitative Thinking in Economics is Professor Cassel's second comprehensive effort to elucidate the method of his deservedly influential *Theory of Social Economy.* The first appeared in 1925 under the title *Fundamental Thoughts in Economics.* The present volume involves a response to events and economic literature which have emerged since 1925, and contains additional emphasis on the theory of social economy as an endeavor "to build up economics as a quantitative science" (p. 4).

Professor Cassel, nevertheless, recognizes explicitly that there has always obtained, in economics, a "special liking" for theoretic formulation in quantitative terms (p. 3). His thesis, therefore, resolves itself into a demonstration of the superiority of his correct quantitative science over the classical, Cambridge and Austrian varieties of pseudo-quantitative science. In large

part that involves a repudiation of concepts which are either of necessity subordinate or logically redundant from the point of view of his formal theory. Marginal productivity is an example of the first; the period of production, of the second.

The concept of marginal productivity will, of course, not occupy a central place in a theory which merely articulates the requirements of the economic principle with respect to a stationary and the simplest type of a uniformly progressive economy. That is not to say, however, that it may not occupy a pivotal position in types of theory which presume to provide us with a technique for analyzing the tendencies to adjustment in an industry after it has been exposed to disturbances of a minor and localized character. To be sure, the limited applicability of the conventional marginal analysis is not always recognized, and Professor Cassel's criticism may be helpful in that connection. His discussion of Professor Douglas' use of the concept of marginal productivity in the latter's *Theory of Wages* is a case in point.

Given the complete continuity, interdependence and perfect adjustment which characterize Cassel's stationary and moving equilibria, the concept "period of production" is not particularly useful. To say that it is entirely meaningless with respect to an industry is to disavow the conception of an industry. However that may be, it may still have meaning with respect to the economy as a whole in some sense analogous to the Marxian "technical composition of capital."

In any event, the criteria for conceptualization are to be found, not in the control imposed by one of a variety of formal intellectual constructions, but in the requirements of concrete economic analysis. The most pressing problems of modern industrialism would be sadly lacking in theoretic implementation in the absence of some concept specifically oriented to the phenomena of investment and disinvestment. One may recognize that it suffers from ambiguity without granting that the imposition of a terminological taboo is the way to correct that ambiguity. The concept "capital disposal" which Professor Cassel offers as the legitimate alternative to the "period of production" appears to suffer from much greater difficulties than quantitative imprecision.

Professor Cassel exclaims over the "appalling fact that there is in economics no such thing as a universally accepted terminology." In that connection he lays down six principles of definition. "The most fundamental principle is that the introduction of definitions should be based on a preliminary scientific analysis of economic reality" (p. 7). It has sometimes been considered that definitions are among the prerequisites of scientific analysis. And does our author really believe that a preliminary survey of any sort will discover the same economic reality to all of us?

Leo Rogin

University of California

The Social Sciences: Their Relations in Theory and in Teaching. (London: Le Play House Press. 1936. Pp. 222.)

This is a report of a conference held under the joint auspices of the Institute of Sociology and the International Student Service at King's College of Household and Social Science, London, September 27-29, 1935.

The book contains fifteen addresses or reports on the inter-relationship of the social sciences—history, economics, political theory, and sociology. There is naturally some difference of approach and emphasis, but there seems to be an agreement that research in the special disciplines has outgrown the field in which a specific technique could solve all the problems uncovered, and that, therefore, research should be furthered by some sort of coöperation of specialists in the social sciences.

It would seem that a special discipline, like history, may have a certain function for the historian and a different one when used as a technique or auxiliary for a sister science. Thus, although there is "a past for every kind of thinking," pure history may be called an imaginative realization of the past for its own sake, a recreation of lost worlds, so that men can have a wide choice of environments in time.

From the point of view of political theory, economics, and sociology, history furnishes a methodology, a technique, a rigorous and critical examination of sources of great value in the amassing of facts as a means to generalizations for present use. Pure history is thus more akin to the fine arts, while the method devised by historians is invaluable for the social scientists who assemble data from the past and present as a means to the generalizations which characterize science.

Pure economics also has a limited and special field, the reference of phenomena to the choice of individuals; but these choices are in turn to be investigated. For the investigation of them, however, the economist has no exact or technical method. This is the special field of psychology. Yet the economist discloses a whole array of phenomena for the analysis of the psychologist. And the psychologist is not as yet waiting to help, for he is engaged in other studies.

Also the phenomena appropriate for the technique of the psychologist are not ultimate. Choice may be determined by environment, physical and spiritual, by education and propaganda, by social pressure and institutional control. So the political theorist and the political historian are called in to explain how the state as supreme coercive power has regimented individuals until their voluntary choices are but repetitions of the fiat of the rulers.

Finally, the sociologist attempts to achieve generalizations with regard to all forms of social organization.

Perhaps the most significant scheme of the relation of the social sciences, *starting from economics,* is given by Professor Florence. Economics deals with the terms of exchange. Supply of goods comes from the technical

sciences, and labor—the product of population (demography). From the psychological point of view demand comes from the consumption needs and wants of individuals, and supply comes from industrial psychology. In turn the wants of individuals are determined partly by the organizations to which they belong (political science), and they are largely explicable by the nature of institutions (sociology). So it would seem that sociology is the all-embracing, or unifying, social science, at least in aspiration. Economics and political science have special but interpenetrating fields; and both require the assistance of the trained psychologist to solve the problems they uncover. Pure history may be a field apart from social science, and more akin to literature and art, yet with a technique indispensable to the social sciences.

The opinions of the speakers who considered the social sciences from the point of view of teaching varied from those who touched upon the hope that, since the special social sciences are not in a position to elaborate and complete the theory which their investigations uncover, the work will proceed by the help of those technically equipped. Thus, for example, can the economist's precise data on exchange ratios be supplemented by equally precise data from the psychologist on the nature of choices and of industrial incentives? And can these data be supplemented by equally precise data regarding the influence of organizations, and the choices of the dominant individuals in organizations? There is no hope expressed for the attainment of this end in the near future. Rather the teachers tend to emphasize the fact that the social sciences are inexact, but that they provide a rich store of miscellaneous knowledge by reflection on which students may develop judgment. On this view trained and disciplined judgment is a more attainable good than organized areas of exact science.

As to the question of the relationship of the social sciences in teaching and research, the teachers did not emphasize, as did the researchers, the idea of a hierarchy or of a definitely related body of disciplines. They emphasized the idea of organizing freedom of research, so that the student could follow wherever his problem led. Teachers, they held, should be able, without departmental hindrance, to introduce students to those phases of social science that are exhibiting the greatest change and growth.

While the research men realize that the ideal of a body of precisely interrelated social sciences is to be attained only in the future, still a brave beginning has been made in transcending invidious departmentalism. To the specialist his science may be an end in itself; but to the world it is justified as an instrument, an auxiliary to the social arts. As another step toward the utilization of the findings of the social sciences, the reviewer believes that the London Conference represents an important move.

HARVEY W. PECK

Syracuse University

NEW BOOKS

AFTALION, A. *L'équilibre dans les relations économiques internationales.* (Paris: Domat-Montchrestien. 1937. Pp. 466. 60 fr.)

AKERMAN, J. *Ekonomisk kausalitet.* (Lund: Gleerup. 1936. Pp. 155.)

AULT, O. C. and EBERLING, E. J. *Principles and problems of economics.* (New York: Longmans Green. 1936. Pp. vii, 843. $3.75.)

Many social scientists seek an economics principles text containing information on recent theoretical developments and economic changes. This text presents some of them, and will probably have a wide acceptance, mainly because the authors hold no brief for any particular school of economic thought. The facility with which these men have presented their problems in an understandable and simple presentation is astounding. Notwithstanding these attributes certain deficiencies appear in this work.

Competition is sketchily treated; no discussion of imperfect competition can be found. The place of quasi-monopoly in the decline of competition has not been stated. When discussing market price in their theory of value and price, the authors do not suggest the five requirements of a market transaction, as has been given by Commons. In defining marketing, these authors might have given the definitions that were prepared by the Committee on Definitions of the National Association of Marketing Teachers.

The place of management in production has been understated; here would have been a timely opportunity to show the student that the modern industrial and economic problem is not how to make a product that the producer wants to sell, but rather how to make a product that the customer is willing to buy.

An exact, precise and full definition of credit is lacking in this text, as are the requirements as to extension, testing, etc. The recent changes in the federal reserve system are not fully given or described.

Although the section on business cycles gives a long list of references, it appears that the authors have not availed themselves of this pertinent information. The publications of Mitchell, the National Bureau of Economic Research, and others would have aided in presenting a great many of the most "recent economic changes" and advances.

E. DILLON SMITH

BARONE, E. *Le opere economiche.* Vol. I. *Scritti vari.* Vol. II. *Principi di economia politica.* (Bologna: Zanichelli. 1936. Pp xix, 462; xviii, 720. L. 30; L. 50.)

BARRADAS, G. *The economic organism.* (San Leandro, Calif.: Author, 903 Lee Ave. 1936. Pp. ix, 90.)

In the first two-thirds of the pamphlet Mr. Barradas furnishes a preamble to his analysis of depressions. The basic nomenclature of economics is reviewed in connection with two charts which outline the rôle of the economic organism (private business) and its relation to government.

Mr. Barradas lodges the cause of depressions in the economic organism's inability to assimilate the savings requisite to its progress. These savings initiate depressions by augmenting the flow of consumers' goods while concomitantly reducing the funds at hand for consumers' purchases. No fall in the price of consumers' goods can answer to restore equilibrium since the competition of land and labor with cheapened capital shrinks rent and wages, and since a drop in the price of consumers' goods persuades the employer to lessen his payments to labor and land. A "labor buyer's surplus," roughly commen-

surate with the aggregate of goods which the market cannot absorb, induces involuntary unemployment. At first a credit inflation may conceal the "progress restraint"; later, when the limits of inflation are overtaken, the categorical clash of savings with progress materializes.

To forestall "progress restraint" Mr. Barradas would balance the flow of consumers' goods through public works financed by a "promotional tax." The governmental employment would automatically superinduce a magnified employment in the organism proportionate to the current ratio of private to public employment.

As a condition to a general criticism of the analysis it must devolve upon Mr. Barradas to cast additional light on many details of his present explanation. Among others the following particulars need further illumination: the failure of the price mechanism to clear the market; the concept of "labor buyers' surplus"; the incidence of the "promotional tax"; and the validity of the reëmployment multiplier. In its present form the analysis offers enough ambiguity to lay open to the charge of misinterpretation any broader criticism.

R. S. Howey

Bolza, H. *Dialektische oder rationale Methoden in der Nationalökonomie? Eine Erwiderung an J. M. Keynes.* (Munich: Duncker und Humblot. 1936. Pp. 83. RM. 2.80.)

Bullock, C J. *Economic essays.* (Cambridge: Harvard Univ. Press. 1936. Pp. viii, 550. $5.)

Chamberlin, E. H. *A bibliography on monopolistic competition.* Reprinted from *The Theory of Monopolistic Competition.* (Cambridge: Author, Harvard University. Pp. 211-219. 15c.)

Clark, H. F. *An introduction to economic problems.* (New York: Macmillan. 1936. Pp. xv, 271. $1.75.)

Addressed particularly to teachers, students of education and adult education groups, on the assumption that "the purpose of the study and discussion of economic problems is to improve the economic order," this book adopts a critical attitude toward existing institutions and conditions, but offers a constructive program for improvement. The author draws from a wide variety of sources in his indictment and in his proposals for reform, to make a book which, although simple and elementary, is of distinctly unusual quality. It would be well indeed if all teachers could read it, even teachers of economics; for the economic analyses are often original and penetrating, and the point of view of an economist trained also in education should be of interest. The reviewer shares only to a slight extent, however, in Professor Clark's hope that education will help us out of our economic and social difficulties. Probably if what we call education showed definite signs of developing much real economic and social intelligence in our little goose-steppers, it would be promptly stopped.

John Ise

Clark, J. M. *Preface to social economics: essays on economic theory and social problems.* Compiled by Moses Abramovitz and Eli Ginzberg. (New York: Farrar and Rinehart. 1936. Pp. xxi, 435.)

Contains 14 essays, all of which—except one, "Toward a concept of social value"—have been previously published. The selections and editing were undertaken by two former students. The essays are arranged in two groups:

"Economic theory and social problems" and "Dynamics of the economic mechanism."

DEIBLER, F. S. *Principles of economics.* 2nd ed. (New York: McGraw-Hill. 1936. Pp. xvii, 611. $3.25.)

DODD, J. H. *Introductory economics.* (Cincinnati: Southwestern Pub. Co. 1936. Pp. 516.)

ELIASBERG, W. *Reklamewissenschaften: ein Lehrbuch auf soziologischer, volkswirtschaftlicher und psychologischer Grundlage.* (Brünn: Rohrer. 1936. Pp. xxii, 495. RM. 25.)

GEIGER, G. R. *The theory of the land question.* (New York: Macmillan. 1936. Pp. xi, 237. $2.)

HOOK, S. *From Hegel to Marx: studies in the intellectual development of Karl Marx.* (New York: Reynal and Hitchcock. 1936. Pp. 335. $4.)

Sidney Hook is associate professor of philosophy at New York University and has already written a book on Marx. In this volume he discusses the intellectual development of Karl Marx in eight chapters: (1) Hegel and Marx; (2) The young-Hegelians and Karl Marx; (3) Bruno Bauer and Karl Marx; (4) Arnold Ruge and Karl Marx; (5) Max Stirner and Karl Marx; (6) Moses Hess and Karl Marx; (7) Ludwig Feuerbach and Karl Marx; (8) Karl Marx and Feuerbach. The last two chapters present the ideas of Feuerbach on the one hand and of Marx on the other and consider in what ways they agree and is what they disagree. Professor Hook has unearthed a number of documents hitherto unknown, at least to English readers. Professor Hook probably cannot be accused of believing in the verbal inerrancy of the Communist Manifesto or the literal interpretation of *Das Kapital,* but he certainly regards Marx as a great philosopher.

GEORGE M. JANES

HUTT, W. H. *Economists and the public.* (London: Jonathan Cape. 1936. Pp. 377. 15s.)

MCCRACKEN, H. L. *Value theory and business cycles.* Rev. ed. (New York: McGraw-Hill. 1936. Pp. xiv, 259. $4.)

MACFIE, A. L. *An essay on economy and value; being an inquiry into the real nature of economy.* (New York: Macmillan. 1936. Pp. 163. $2.75.)

MAYER, G. *Friedrich Engels: a biography.* Translated from the German by GILBERT HIGHET and HELEN HIGHET. (New York: Knopf. 1936. Pp. xii, 332. $3.50.)

This is the only comprehensive biography of Engels available in English. The author is a well known Marxian scholar, and a former professor of social democratic history at the University of Berlin.

Friedrich Engels came from a family noted for its conservatism. As a young man, however, he broke with the family traditions, and definitely identified himself with the radical movement. He was preëminently a man of action. In addition to directing a successful business and carrying on continuous revolutionary propaganda, he somehow found time for riding, fencing, detailed studies of military tactics, and the acquirement of a reading knowledge of several languages.

Marx and Engels were peculiarly suited for their partnership. If Marx was the philosopher of the revolutionary movement, Engels was the strategist. Marx delighted in abstractions and was more skilled in dialectic; Engels

was more human, much more practical, and held a readier pen. In general theory they were in remarkably close agreement, although they sometimes differed in interpreting the course of events. For example, they both believed the socialistic form of economic organization to be inevitable, but Engels alone persisted in regarding the social revolution as imminent. This faith in an early and violent transformation of society may explain in some measure Engels' keen interest in military strategy.

It is difficult to separate the work of Engels from that of Marx. For approximately forty years they labored in close coöperation, and the whole Marxian theory of capitalism took definite form only after prolonged and detailed discussion. Professor Mayer lays great stress upon the importance of Engels' contribution. Engels collaborated with Marx in writing the *German Ideology* and the *Communist Manifesto;* and as regards *Das Kapital* it is claimed that he edited the second volume and practically wrote the third. It is also probable that a considerable amount of material published over the name of Marx was largely the work of Engels. As examples of this we may mention the military articles that appeared in the New York *Tribune.* It was Engels who wrote *Anti-Dühring,* a work that was influential in turning the German socialist movement along Marxian lines; and further proof of his ability appeared in his handling of correspondence and propaganda during the years immediately following the death of Marx.

The author has portrayed very effectively the versatility of Engels, his extreme modesty, and his unswerving loyalty to Marx—a loyalty that was at times sorely tried. We may add that the book contains a wealth of information concerning the European working-class struggles of the nineteenth century.

J. E. MOFFAT

MEADE, J. E. *An introduction to economic analysis and policy.* (New York: Oxford Univ. Press. 1936. Pp. xv, 392. $3.75.)

MILL, J. S. *John Stuart Mill on the measure of value, 1822.* Edited by J. H. HOLLANDER. Reprint of econ. tracts. (Baltimore: Johns Hopkins Press. 1936. Pp. 24. $1.)

It is somewhat unusual to reprint the first publications of a boy of seventeen, but the boy in this case is John Stuart Mill taking a part in the great controversy on value. Col. Robert Torrens, the owner of the *Traveller, à propos* of a meeting of the Political Economy Club at which the subject was to be discussed, proposes to inform his readers of the state of the controversy. He announces his dissent from the opinion of Ricardo, McCulloch and James Mill; and selecting the latter's *Elements of Political Economy,* "this very ingenious work," as his object of attack, argues that the value of commodities is not in proportion to the labor embodied in them but to the smaller quantity contained in "the things advanced as wages." In other words it is determined by "the amount of capital requisite to bring them to market." By contrasting two capitals, equal in money value and in labor contained, but differing in the proportion of labor employed to material, he shows that though the value of their products will be equal, the labor embodied in them cannot be.

John Stuart Mill in his first letter accuses Torrens of including profit in cost of production and holds that this is unnecessary in the calculation of value when profits are equal. "If the whole produce of one capital exchanges for the whole produce of the other, those parts of them which remain when profits

are deducted, will also exchange for one another." Mill obviously makes no allowance for differences of investment period and confuses equality of profits with equality in rate of profit. Torrens in his second editorial denies that he includes profit in cost. He then presents another contrast of two equal capitals, the one consisting of wine left "for a certain period" to improve, the other employing labor for the same period. Again equal value of product but unequal quantities of labor embodied. This, Mill in his second letter tries to meet by the curious argument that as the other commodity has its value "regulated by the quantity of labour expended in its production," the value of the wine being regulated by the value of the other commodity is also "dependent on quantity of labour." In disposing of this argument Torrens presses home his advantage, and closes the discussion.

It all turns about the theory of value supposed to be held by Ricardo. But as we can learn from Professor Hollander's informing article in the *Quarterly Journal of Economics* of August, 1904, Ricardo was far from satisfied with the theory attributed to him by Torrens and defended so dogmatically by his champions.

G. A. KLEENE

MORLAN, G. *America's heritage from John Stuart Mill.* (New York: Columbia Univ. Press. 1936. Pp. viii, 209. $2.)

NIKOLAEVSKII, B. I. and MAENCHEN-HELFEN, O. *Karl Marx: man and fighter.* Translated by GWENDA DAVID and ERIC MOSBACHER. (Philadelphia: Lippincott. 1936. Pp. ix, 391.)

PANTALEONI, M. *Studi storici di economia.* (Bologna: Zanichelli. 1936. Pp. x, 535. L. 25.)

PHELPS, H. A. *Principles and laws of sociology.* (New York: Wiley. 1936. Pp. xii, 544.)

RICHTER-ALTSCHÄFFER, H. *Volkswirtschaftliche Theorie der öffentlichen Investitionen: eine Untersuchung über die theoretische Stellung der öffentlichen Investitionen in der Dynamik der modernen Verkehrswirtschaft.* (Munich: Duncker und Humblot. 1936. Pp. 155. RM. 5.80.)

TEILHAC, E. *Pioneers of American economic thought in the nineteenth century.* Translated by E. A. J. JOHNSON. (New York: Macmillan. 1936. Pp. xi, 187. $2.50.)

This little book consists of three long chapters, dealing successively with Daniel Raymond, Henry C. Carey and Henry George, followed by a fourth and shorter chapter which undertakes to bring together in one pattern the threads of evolutionary development which have been traced, indicating the place of these three writers in the English-French-American economic tradition down to and including Veblen and W. C. Mitchell. The author has covered a surprisingly large amount of ground with characteristic French brevity. The translator has, by reason of that very brevity, faced a difficult task, since so much hinges on heavy burdens of meaning which are loaded upon single terms—terms which may not always have an exact English equivalent. Professor Johnson has approached this task respectfully and performed it on the whole successfully. If the precise meaning remains at times in doubt, one feels that the uncertainty exists in the original, being characteristic of this type of highly condensed interpretative writing.

Although the author does not ignore the influence of one writer on another, he attaches deeper importance to the response of a writer's work to the condi-

tions of his time and his country; and he has selected writers in whom this response was a determining factor. The resemblances and differences he traces, and the emphasis he lays on various factors of doctrine and underlying philosophy, may some of them seem strange to American readers; and for that reason they are all the more worth weighing carefully. In particular, the mutual influence of French and American economics is something Americans may be tending to lose sight of; and a reminder is salutary. The importance of the agrarian situation for the three writers studied is interestingly developed—and might have been even more instructive if it could have been carried forward to its present culmination in the program of Secretary Wallace.

Students of the history of American economic thought should welcome this contribution to the literature of their field.

J. M. Clark

Thompson, C. M. *High school economics (historical and descriptive).* Rev. ed. (Chicago: B. H. Sanborn. 1936. Pp. 528. $1.76.)

Umbreit, M. H. *Questions and problems on the principles of economics.* (New York: McGraw-Hill. 1937. Pp. xiv, 176. $1.)

Designed to accompany Deibler's text on *Principles of Economics,* part 1 contains factual questions, part 2, more general questions, and part 3, problems, 176 in number. References for questions and problems are made to pages of the text.

Vanderblue, H. B. *Adam Smith and the "Wealth of Nations": an adventure in book collecting and a bibliography.* (Boston: Baker Library, Harvard Grad. School of Business Admin. 1936. Pp. 14. 75c.)

Dr. Homer B. Vanderblue has reprinted as a brochure of the Baker Library of the Harvard Graduate School of Business Administration the highly useful list of titles contained in his collection of items relating to Adam Smith, preceded by a genial account of this "adventure in book collecting." As a trial bibliography, the compilation and the accompanying notes are admirable; as a record of actual possession the list is likely to make the collector of economica tear his hair. Best of all, Dr. Vanderblue marches on under the slogan: "In the making of a book collection, even in what, in the beginning, promises to be a very narrow field, there is really no end"—and devotes a paragraph to "missing volumes."

In such an enlargement will be included, as I have ventured elsewhere to suggest, the second edition of Bonar's *Catalogue of the Library of Adam Smith* with its many added titles; the scarce report of the celebration of the one-hundredth anniversary in London on May 31, 1876, and the readily obtainable volume of lectures given at the University of Chicago to commemorate the sesquicentennial.

J. H. H.

Abstracts of papers presented at the Research Conference on Economics and Statistics, held by the Cowles Commission for Research in Economics, at Colorado College, July 6 to August 8, 1936. (Colorado Springs: Colorado College. 1936. Pp. 119.)

Twenty lecturers contributed to this conference.

The economic literature of Latin America: a tentative bibliography. (Cambridge: Harvard Univ. Bur. for Econ. Research in Latin America. 1936. Pp. 366. $4.)

Explorations in economics: notes and essays contributed in honor of F. W. Taussig. (New York: McGraw-Hill. 1936. Pp. xii, 539. $5.)

Economic History and Geography

The Nationalizing of Business, 1878-1898. By IDA M. TARBELL. (New York: Macmillan. 1936. Pp. xvi, 313. $4.00.)

With the publication of Miss Tarbell's volume the twelve-volume History of American Life Series, projected more than a decade ago, approaches a conclusion. Only two volumes are yet to appear, one by Evarts B. Greene covering the period 1763-1790 and the other by Dixon R. Fox on the period 1790-1830. The aim of the series has been "to trace the evolution of civilization in the United States" or in other words, to "portray American life in its multifarious aspects—social, economic, intellectual and spiritual—and with reference both to American conditions and to the transfusion of ideas from abroad." Although pioneers in the 1890's and in the first decade of the century, Weeden, Bruce, Eggleston, McMaster and even Henry Adams, caught the significance of "social history," a full-length attempt to write the history of American life has waited upon the publication of this series. In the intervening years the emphasis has continued to be on political history, but with a refreshing realism injected by a widening interest in economic history in which both historians and economists have participated.

If there is one thing which this series has clearly demonstrated, it is the fact that the intellectual, political, social and even spiritual life of the people rests upon their economic activities. It may be possible to reduce the political history to the importance of a footnote, but the economic permeates every phase. This was so obvious for the period 1878-1898 that the editors devoted two volumes to it, that by Miss Tarbell emphasizing the economic history and the other by A. M. Schlesinger covering other aspects. The volume of Miss Tarbell is probably the least original of the series in that it is confined largely to the story of the early growth of transportation and industrial monopolies, the organization of farmers and workers, the controversy over silver and the panic of 1893, all of which have been more fully told in numerous books and monographs (by Buck, Hicks, Lauck, Barrett, Ware, Hendrick, etc., and Miss Tarbell, herself). Her contribution has been to integrate the American story of the development of small-scale business into huge organizations and the reactions of consumers, industrial workers and farmers to this phenomenon. It is not a new story but it has probably never been integrated more clearly or in better style than in this volume. Students will find it an excellent introduction to the economic history of the period and in conjunction with the companion volume of Schlesinger (*The Rise of the City*) a fairly complete picture of American civilization.

The author's early work as a pioneer in the history of industrial trusts, of the tariff and of industrial relations predisposes the reader to approach the book with confidence. This feeling is strengthened by the objectivity and

the even-handed treatment accorded to controversial subjects which today continue to arouse the feelings of historians and economists. A more thorough acquaintance with recent monographic material might have added a touch here and there and occasionally shaded a statement, but on the whole the treatment is dependable. As with other volumes of the series an effort is made to achieve a full bibliography and an adequate index. Like other volumes in the series, also, it shows the result of expert and meticulous editing.

H. U. FAULKNER

Smith College

An Economic Survey of Ancient Rome. Vol. II. *Roman Egypt to the Reign of Diocletian.* By ALLAN CHESTER JOHNSON. (Baltimore: Johns Hopkins Press. 1936. Pp. viii, 732. $4.00.)

Following the plan of the series, this volume is a collection of source materials accompanied by appropriate explanatory comments. For the study of economic conditions within the Roman world, Egypt presents a mass of documentary evidence unparalleled in any other part of the Empire. There are thousands of datable papyrus documents, such as land surveys, tax registers, contracts of various sorts, public and private accounts, not to speak of a mass of receipts for numerous kinds of payments, all of which supplemented by ostraka and some inscriptions throw light upon conditions of agriculture, business, labor, and the other phases of life in the land of Egypt. Professor Johnson has arranged his material in five chapters entitled respectively: Land, People, Industry and Commerce, Taxation, and Miscellaneous, the latter including temple, military, and municipal accounts and selections from edicts and laws. The chapters are subdivided into sections, each of which contains a general discussion of the special topic under consideration, a selection of documents in translation, and, in many cases, lists of other documents of importance for the subject. Both for the thoroughness of his analysis of the many and complicated problems of the public and private economic life in Roman Egypt and for the aptness of his illustrative material, the author deserves high praise.

As part of the Roman Empire, Egypt presents the picture of a country exploited for the benefit of the imperial government; and consequently the economic freedom of its inhabitants was narrowly limited. The student of economic history will find in these limitations many that seem anticipations of modern tendencies. Egypt had a managed currency, which was not recognized beyond its frontiers, while the standard imperial coins were not permitted to circulate within the province. Another point of particular interest is the control over agriculture made possible by the dependence of the country upon a governmentally operated irrigation system and state ownership of a large proportion of the arable land. Under the Ptolemaic régime there had developed a widespread system of state monopolies of

manufacture and sale of commodities essential to the life of the people or important in Egyptian export trade. This the Romans did not attempt to maintain in its entirety, preferring to relinquish to private initiative such business activities as promised a greater revenue in the form of taxes than in that of profits from state-operated enterprises. Accordingly we find evidence for monopolies or government concessions in the salt trade, the mines, the fisheries, brewing in certain districts, and in the baking of bricks and the manufacture of ointments and perfumes in the Fayum; but for private control in the manufacture and sale of oil, in growing papyrus and making paper, in weaving, and in brewing in areas where the monopoly did not exist. More unfamiliar, but not altogether unknown in modern times, is the system of liturgies or obligatory public services which in Egypt included not only physical labor on canals and dykes but also the undertaking of official duties of an administrative character, for the most part in connection with the collection of taxes.

There is ample proof of an economic decline and also a decrease in population in Egypt in the late second and the third century of our era. While it is hard to assign a single cause for these conditions, and the author does not try to do so, it seems to the reviewer that the documentary evidence points to over-taxation as both the chief reason for the decline and the chief obstacle to recovery from it. However, more allowance should be made for the devastating effects of the great plagues which ravaged the Roman Empire in the second and third centuries, than is usually the case. Soil exhaustion did not enter into the question in Egypt; and the partial breakdown of the irrigation system came as a consequence, not as a cause of the general situation. Professor Johnson has produced a book that should have great value, both to specialists in papyrology and ancient history, and to students of economic history in general.

A. E. R. Boak

University of Michigan

Französische Wirtschaftsgeschichte. By Henri Sée. Vols. I and II. (Jena: Fischer. 1930; 1936. Pp. 434; 633. RM. 20; RM. 30.)

This work has been written for the *Handbuch der Wirtschaftsgeschichte* edited by G. Brodnitz. The author needs no further introduction to readers in this country; one of his works, at least, *The Origins of Modern Capitalism,* is a popular textbook in America. There are probably few scholars more competent than he to undertake this broad survey of French economic history, if it were for no other reason than by virtue of the large bibliography of his writings appended to these volumes.

If, from the outset, we wish to determine the species of Sée's historiography, we might apply a classification employed by an Englishman to economic historiography: the anecdotic, the tabloid and the mystic method. Although the work under discussion does not conform entirely to any of these species,

yet in my opinion it seems to be most kindred to the tabloid method. Thus these two volumes derive their essential value from the overwhelming wealth of facts given rather than from their interpretation.

What is France's specific contribution toward the economic civilization of Western Europe as a whole? What is her particular structure or "constitution" (in the biological sense of the word); what is the lasting and continuous structure? What is—to use a modern expression—the "eternal France" economically and socially? What, in short, has France achieved economically by virtue of her own vitality and creative vigor?

These are issues raised by Dr. Sée; they cannot easily be answered for any country; and what is more, they can properly be raised only in so far as recent times are concerned, *i.e.,* only with reference to that period in which industry appears as a vital and shaping force of world-wide dimensions, or in other words, since the peoples and nations of Europe have become individuals and personalities even in economic matters, with marked, unmistakable features of their own.

The author has not devoted more than 58 pages to the economic history of mediaeval France, which on the whole was almost exclusively the history of institutions, a part of administrative history of public corporations and of the struggle of industry *versus* state, or what stood for "state" then. Besides, the general economic history of mediaeval times has been treated by Kötzschke in a volume of 626 pages, which has been published in the same collection as Sée's work.

Yet the strange and striking fact is that the economic history of France, even in our own times, has remained more than in other countries what it has been almost always: the history of public administration and authority. Without the factor "state" French economic life would be a paralyzed being. In all situations and at all times, the "state" of France has been the foremost economic initiator, the one of the two foci of French economic life. The other focus is His Majesty, the rentier. He, in the first place, beats time for the economic and for the political development. Those two, the state and its creature and pet, the rentier, are the leading actors on that stage, on which the economic history of France is being enacted. The state, free of the antagonism of particularistic interests and free of competitors for power, pushes industry ahead—frequently against the will of the interests concerned. The other element, the rentier, represents the delaying factor. The state grasps and even creates opportunities, thus holding the economic initiative and performing the functions of the "entrepreneur" of other countries. The state and the rentier are indissolubly allied to each other by common interest. The financial and credit policy of the government gave life and right of existence to a widespread class of rentiers. This class includes in its ranks the state's strongest and most devoted supporters, the bearers of a patriotism that yields interests in percentages. In addition to her favorable physical conditions, the wealth of France rests to a great

extent upon the thriftiness and frugality of her inhabitants, upon "abstinence" rather than upon risk-taking. Security and tranquillity are the leading ideals for industrial and social welfare. This does not exclude the fact that foreign and civil war again and again has been the chief occupation of the French, and that France, even today is heading the international list of strikes.

Another characteristic factor consists in the fundamental difference of the development of French agricultural organizations from those of other big countries in Central Europe, and particularly from those prevailing in England. France from old times was, and still is, a peasant democracy. The agricultural large-scale entrepreneur has never appeared in France. Nobility had become powerless in early times. Enclosures never existed as they were not needed owing to the less extensive development of industrial capitalism. (There is no corollary to the English cloth industry.) The long maintenance of agricultural feudalism is likely to have been a favorable factor for the survival of peasant holdings. For the landlord was chiefly a rentier himself and not an entrepreneur. This agricultural structure probably accounts for the proportionality and equilibrium of French industry—a fact which has often been emphasized, and which has been reiterated by Dr. Sée. France's development has not been so one-sided, nor was her industrial life based on such artificial foundations as in other big countries. The home market has a greater bearing on the country's prosperity than foreign trade; her part in the world market is—apart from some special articles—not prominent. Consequently, the percentage of people employed in trade in France is smaller than in any other leading country. Effective industrialization was neither possible nor necessary from the biological point of view, as France long since had determined upon the planning of production of men, being reluctant to increase of population.

If Sée makes use of the concept of "stationary capitalism" in order to characterize the economic structure of France as a whole, this term will not appear as a contradiction in itself, if we bear in mind that "stationary" has a different meaning in the vocabulary of the economist on the one hand, and of the physicist or biologist on the other.

Sée's whole work, whose first volume includes the end of the ancien régime, and whose second volume treats the economic history of France during and since the Revolution, culminates in a broad description of the conditions of France in the present time, in a "tableau," which in itself is a source of information. The reader will miss scarcely any notable details, and will be constantly aroused to making interesting comparisons. Apart from the wealth of knowledge, the sincerity of judgment and the intellectual probity with which the author criticizes his own country, are worthy of our admiration.

Arthur Salz

Ohio State University

NEW BOOKS

ANDREWS, J. M. *Siam: second rural economic survey, 1934-1935.* (Cambridge: Peabody Museum of Archaeology and Ethnology, Harvard Univ. 1936. Pp. viii, 396.)

This survey was undertaken under the joint auspices of the Siamese government and Harvard University. The data were collected by Siamese investigators. The survey includes detailed accounts of the incomes, expenditures and inventories of over 1,700 rural Siamese families in 40 villages.

APPADORAI, A. *Economic conditions in Southern India (1000-1500 A.D.).* Vols. I and II. (Madras: Univ. of Madras. 1936. Pp. xii, 441; ii, 443-892. Rs. 10.)

This is the most pretentious attempt of which the reviewer has knowledge at the description of economic life in any part of India during the period corresponding to the late Middle Ages in Europe. Probably because of a more precarious rainfall and the resulting more precarious economic life, Indians appear to have been more concerned relatively with religious than with economic matters. Probably the records never were so plentiful nor so carefully made as in Europe, and they have been much less preserved. This helps to account for the book's greatest weakness, although that is acknowledged at the start. This is not a history of economic development but a description of conditions in a period in general during which there must have been great changes. However, by the discreet selection of materials and the resourceful use of them our author has written a very helpful book. It is interesting, for instance, to learn (p. 72) that just as the manorial organization covered only a part of Europe so the compact village community was not universal in India. Economic organization seems to have shown all the varied forms which it showed in Europe, though in the light of their prominence later it is a little surprising to find so little evidence of the various phases of wholesale handicraft.

D. H. BUCHANAN

ASHLEY, W. J. *The economic organisation of England: an outline history.* New ed. (New York: Longmans Green. 1936. Pp. 268. $2.)

Adds a new chapter on "Economic instability and state intervention," by G. C. Allen.

BEARD, C. A. *Jefferson, corporations and the Constitution.* (Washington: Nat. Home Lib. Found. 1936. Pp. 96. 25c.)

BEZANSON, A., GRAY, R. D. and HUSSEY, M. *Wholesale prices in Philadelphia, 1784-1861.* (Philadelphia: Univ. of Pennsylvania Press. 1936. Pp. xxiii, 443. $4.)

BOGART, E. L. and LANDON, C. E. *Modern industry.* 2nd ed. (New York: Longmans Green. 1936. Pp. x, 704. $3.50.)

"New chapters on effective utilization of human resources, conclusions regarding geographic factors, aquaculture, biology and modern industry, and physical sciences and modern industry" have been incorporated, while six chapters in the first edition which seemed least useful have been omitted to make room for this fresh material.

BUNYAN, J. *Intervention, civil war, and communism in Russia, April-December, 1918: documents and materials.* (Baltimore: Johns Hopkins Press. 1936. Pp. xv, 594. $4.50.)

CHI, C. A. T. *Key economic areas in Chinese history.* (New York: Peter Smith. 1936. Pp. 168. $3.)

FONG, H. D. *Toward economic control in China.* Preliminary paper prepared for the Sixth Conference of the Institute of Pacific Relations held at Yosemite, California, August 15-29, 1936. (Shanghai: China Inst. of Pacific Relations. 1936. Pp. 91. 75c.)

If the hopes of a new China awakened by the Revolution of 1911 turned out to be dupes, the fears aroused by the communist influence of the middle 1920's have proved to be liars. Since the present government came into control of a considerable part of the country in 1927-28, there has been very real economic and political progress, which is amazing to those who have known only the China of the disturbed decade and a half which followed the first revolution.

Mr. Fong's little book traces what has been accomplished, partly by private enterprise and partly by the government, in the development and control of transportation, of foreign trade, of public finance and currency, of agriculture, and of industry. It is an interesting story of developments most of which have hardly been mentioned in American newspapers, but which fundamentally are far more important than many China incidents which make the headlines. The author frankly admits that only a beginning has been made, and that there are many difficulties, internal and external. It is, however, a beginning which gives great promise for the adjustment of an ancient civilization to modern world conditions.

DICKSON H. LEAVENS

HAGEDORN, H. *Brookings: a biography.* (New York: Macmillan. 1936. Pp. xi, 334. $3.50.)

An interesting and authoritative narration of the life of the founder of the Brookings Institution. This covered a long period, 1850-1932. The early chapters throw light upon mercantile operations in the territory of which St. Louis was the center. Of special interest to economists are the chapters describing his aid to Washington University and the founding of the research organization which bears his name. The author, who is known for his writings over a wide field of literature, including numerous volumes on Theodore Roosevelt, had full access to family papers as well as the assistance of Dr. Moulton.

HANKE, L., editor. *Handbook of Latin American studies: a guide to the material published in 1935 on anthropology, archaeology, economics, geography, history, law, and literature.* (Cambridge: Harvard Univ. Press. 1936. Pp. xv, 250.)

Bibliographies with annotations prepared by a number of scholars.

JENNINGS, W. W. *A history of the economic and social progress of European peoples.* (Lexington, Ky.: Kernel Press. 1936. Pp. xiii, 713.)

"The author of this text," writes Professor Jennings in the preface (vii), "believes that the beginner needs concrete facts simply stated. He knows that too many writers attempt to generalize without sufficient data, a dangerous procedure. One feature of this text not commonly found in books is the use of contemporary material, enough the author believes, to obviate the need for a book of readings. Still a second feature which distinguishes the text is the use of more than seventy graphs, a device intended to lessen the burden of statistics. A third feature is the increasing emphasis as the twentieth century is approached."

The book falls into parts dealing with the "Ancient period," "The Middle Ages," "The early modern period" and "Europe since 1800"; but within each main division treatment is first by topics and then by nations.

It is difficult not to recognize in this work an attempt to avoid some of the more generally recognized weaknesses of earlier publications. There is no isolation of the economic from other aspects of life, no over-emphasis on the period since the Industrial Revolution and no concentration of interest upon conditions in England. The resulting treatment is comprehensive—reaching back to prehistoric times and covering the entire continent.

The reader, however, has gained the impression that, in approaching his objectives, Professor Jennings has not escaped a price. The attempt to vary the method of presentation "at times taking the country as a unit and at times subordinating the countries to topics" (vii) has forced generalizations and created difficult transitions. The very scope of the book has created problems of depth. There is, for instance, no mention of the "equally favoured nation treatment" that was in many respects the most important feature of the Cobden treaty of 1860 (p. 575). A tendency to appeal to general interest in the selection of source materials is brought out by chapter 12, "National characteristics as viewed by contemporaries." Finally, it must be noted that the graphs present marked departures from recognized statistical practice.

D. Clark Hyde

Landon, A. M. *America at the crossroads.* (New York: Dodge Pub. Co. 1936. Pp. 95. $1.)

Laufenburger, H. *Methoden der Krisenabwehr und der Konjunkturpolitik in Frankreich.* (Jena: Fischer. 1936. Pp. 36.)

This is one of a series of lectures delivered before the Institute of World Economy of Kiel University and published under the editorship of Dr. Andreas Predöhl. The author is a member of the Scientific Institute of Economic and Social Research of Paris. It deals with the methods employed by the government in France in combating the depression. After complete failure to cartellize industry and thus control production, the government sought to remedy the disequilibrium in the price structure through the easing of money and credit and the improvement in government finances. Credit is claimed for the adjustment of the supply of commodities to the demand, for restoration of the equilibrium between agricultural and industrial prices, and for the balancing of the value of exports against imports. However, complete failure is admitted in the attempt to adjust prices and costs owing to the rigidity of wages and interest.

J. E. Kirshman

Lenin, V. I., and others. *The Soviet Union and the cause of peace.* (New York: International Pubs. 1936. Pp. viii, 191. $1.75.)

MacInnes, C M. *An introduction to the economic history of the British Empire.* (London: Rivingtons. 1935. Pp. vii, 431. 7s. 6d.)

This excellent sketch of the economic history of the empire presents a number of novel features. All histories of the development of British overseas dominion must needs deal with many phases of economic history, but the treatment is incidental and incomplete. We have here excellent sketches of the history of shipping with adequate emphasis upon the concrete problems

of travel. There are also three good chapters on currency, banking, and the export of capital. The history of trade is treated with more insight than is usual. Although unpretentious, the book discloses extensive reading in the primary sources, as well as thorough knowledge of the special literature.

A. P. U.

MacKay, D. *The honourable company: a history of the Hudson's Bay Company.* (Indianapolis: Bobbs-Merrill. 1936. Pp. 396. $3.75.)

Mauldon, F. R. E. *Economic trends in Tasmania, 1931-32 to 1935-36: the course of recovery.* (Hobart: Govt. Printer. 1936. Pp. 34.)

A survey prepared on behalf of the State Finance Committee.

Modlin, G. M. and De Vyver, F. T. *Development of economic society.* (Boston: Little Brown. 1936. Pp. 474. $1.50.)

Pares, R. *War and trade in the West Indies, 1739-1763.* (New York: Oxford. 1936. Pp. 643. $8.50.)

Rappard, W. E. *L'individu et l'état dans l'évolution constitutionnelle de la Suisse.* (Zurich: Ed. Polygraphiques. 1936. Pp. ix, 566. 14 fr. suisses.)

Sakolski, A. M. and Hoch, M. L. *American economic development: an introduction to present economic problems.* (New York: Nelson. 1936. Pp. xii, 448. Trade ed., $3; school ed., $2.50.)

Departing from the usual chronological treatment, this book traces the development of the country by topics—considering, *e.g.,* a subject like transportation from colonial times down to the present. This arrangement is useful when well done, though it presents difficulties of which these authors seem to be unaware. They have, moreover, made mistakes in realizing their "efforts . . . to center attention on the line of evolution in each important phase" (p. v): they credit Eli Whitney with introducing industrial standardization into this country in 1793 (p. 262); they have the first department store being established in 1862 (p. 411); and one is bound to conclude from p. 384 that the La Follette Seaman's act was passed before 1891. Significant changes are frequently neglected, owing to the authors' tendency to leap from colonial days right into the middle of last century and then to the present. Many inaccuracies result from the use of old or inferior sources, while some reliable references listed have plainly not been consulted. For example, Schmoller is cited at the end of chapter 4, but mercantilism is wrongly described as "one of the results of the growth of nationalism in Europe after the fifteenth century."

In view of the authors' contention (p. v) that the usual " 'period' treatment . . . fails . . . to give proper emphasis to events which have a more important influence upon economic evolution than others," it is worth noting the relative emphasis which certain topics receive here. Agriculture is given 46 pages, transportation 35, and manufacturing 32. Wheat production gets 6 pages, corn 1½, wool as much as cotton (5¼), and tobacco none, except for the seventeenth century (1 page). In the sections on manufacturing not a line is devoted to the following major industries: automobiles, machinery, rubber, and electrical equipment; while there is no mention of meat packing, publishing, flour-milling, railroad equipment, or canning. Although a chapter is devoted to foreign shipping and trade, internal commerce is mentioned only occasionally in connection with other subjects. Security and produce exchanges, middlemen, and storage are similarly neglected. From reading this book one

would never know that we had in this country electric transportation, a postal system, or communication by telephone, telegraph, or radio; nor would one realize that advertising and instalment selling have exerted a profound influence in American life. Again, there is no consideration of general price movements in our history; and, although several panics are just mentioned, the reader is left with the feeling that the recent period of difficulty is the only real depression we have ever had.

This work shows the fundamental flaw (which has become almost traditional in the field) of ignoring the part played by individual business men and firms in the development of the United States. Not once is there any mention of Vanderbilt, J. J. Hill, Gustavus Swift, Armour, Frederick W. Taylor, Edison, Marshall Field, or Henry Ford. When individual men other than inventors are named, it is usually in connection with an episode of ill repute; *e.g.*, Oakes Ames and the Credit Mobilier, Jay Cooke and the failure of the Northern Pacific, Insull and the Middle West Utilities. Thus students might well conclude that our economic progress and our vast commercial and industrial structure have grown without personal leadership or unusual effort on the part of individual men. With proper revision and correction, however, this volume could be made into a useful approach to the study of American economic life.

RALPH M. HOWER

SBAROUNIS, A. J. *André M. Andréadès: fondateur de la science des finances en Grèce.* (Paris: Recueil Sirey. 1936. Pp. viii, 294.)

STAMP, L. D. *A commercial geography.* (New York: Longmans Green. 1936. Pp. viii, 459. $2.50.)

This book is intended for secondary schools and adult classes where no previous knowledge of geography is presumed. It is popularly written to show the influence of geographical environment upon social development.

The volume popularizes, condenses, and brings up to date the material previously presented in Parts I and II of *An Intermediate Commercial Geography.* The first 130 pages deal with general backgrounds and particular commodities on a world basis. Then follow three brief but useful chapters on the geography of settlement, of a manufacturing industry, and of a country as a whole. These present the outlines followed in the remaining two-thirds of the book which treat the commercial geography of the leading countries.

ROBERT B. PETTENGILL

STEWART, J. R. *Manchuria since 1931.* (New York: Inst. of Pacific Relations. 1936. Pp. 53. 25c.)

Prepared for the sixth conference of the Institute of Pacific Relations, held at Yosemite Park, California, August 15-29, 1936.

DE STURLER, J. *Les relations politiques et les èxchanges commerciaux entre le Duche de Brabant et l'Angleterre au Moyen Age: l'étape des laines anglaises en Brabant et les origines du développment du Port d'Anvers.* (Paris: Droz. 1936. Pp. 543.)

UPSHUR, G. L. *As I recall them—memories of crowded years.* (New York: Wilson-Erickson. 1936. Pp. 282. $6.)

In his earlier years the author recalls vividly important personages of the formative period of the West. Being the confidential secretary to James C.

Flood, Mr. Upshur knew intimately the other three Bonanza Kings: John W. Mackay, James G. Fair and William S. O'Brien. Comments of interest are given on Collis P. Huntington, Leland Stanford, William C. Ralston and Darius O. Mills.

Coming to New York in 1881, the author was one of the founders of the National Petroleum Exchange, which later merged with the Mining Board and was then known as the Consolidated Exchange. Through this and other significant financial connections, Mr. Upshur gives personal reminiscences of the elder Morgan, Rockefeller, Stillman, Senator William A. Clark, the Montana copper magnate, Schwab and Frick.

These recollections add materially to our knowledge of these men and give us additional insight into the economic growth of the country.

CECIL G. TILTON

Annali di economia. Vol. XI. *Storia economica dell'Italia nel Medio Evo,* by ALFRED DOREN. Translated from the German by G. LUZZATTO. (Padua: Milani. 1936. Pp. 649.)

Annali di statistica e di economia. Anno III, Vol. IV. (Genoa: Morando. 1936. Pp. viii, 323. L. 40.)

Concise statistical year-book of Poland, 1936. 7th year. (Warsaw: Chief Bur. of Statistics. 1936. Pp. xxii, 263.)

The New Deal: an analysis and appraisal. By the EDITORS OF THE ECONOMIST (London). (New York: Knopf. 1937. Pp. ix, 149. $1.50.)

A brief appraisal of the accomplishments of the New Deal in the United States. Successive chapters summarize unemployment and relief, public works, housing, industry and labor, agriculture, banking, the budget, the dollar, foreign trade, security markets and the power controversy. Judicial in tone and discriminating in judgments, the volume is of special interest as an analysis by friendly observers in England.

Statistical abstract for the British Empire for each of the ten years 1926 to 1935. 65th number. (London: H. M. Stationery Office. 1936. Pp. xviii, 331. 5s.)

U. S. S. R. handbook. English text edited by LOUIS SEGAL. (London: Gollancz. 1936. Pp. 643.)

World economic survey: fifth year, 1935-36. (Geneva: League of Nations. Boston: World Peace Found. 1936. Pp. 338. $2.)

Agriculture, Mining, Forestry, and Fisheries

Wheat and the AAA. By JOSEPH S. DAVIS. (Washington: Brookings Institution. 1935. Pp. 468. $3.00.)

The present volume gives the evaluation of the wheat program of the Agricultural Adjustment Administration and its operations. The first chapter, entitled "The wheat background of the Adjustment act," presents a summary of developments with reference to wheat supplies and prices, pre-war and post-war, up to the enactment of the Adjustment act; but it does not explain fully the reasons for the adjustment program. These are

not to be found alone in the production and price of wheat, but also because the price of wheat and of other products to which the wheat grower might turn had fallen sharply, whereas the prices that the grower had to pay for goods and services remained relatively high.

Belief that the public had been "mis-educated" and that production should have been adjusted voluntarily to the market requirements is reflected in the author's treatment of post-war wheat developments. The suggestion that wheat growers should have faced the necessity of adjustment to altered conditions presents an attitude toward the wheat problem not in line with that commonly held by proponents of farm relief. Some, at least, knew that the export market was not indefinitely elastic, and yet they advocated the export debenture or the McNary-Haugen plan. The leaders wanted to alter prevailing conditions or to have some compensation for accepting them.

The post-war struggle over farm relief measures was prolonged largely by differences in opinions as to whether or not the government should assume responsibility for aiding or protecting farmers, and by the struggle among those who believed in aid but disagreed as to what was the best measure for relief. The establishment of the Farm Board was a concession to those who urged government aid, without going farther than providing for some aid in the marketing of agricultural products. Under conditions of general economic improvement or stability, the Farm Board might have proved fairly successful in time. It was not designed, however, to lift agricultural prices in general or to bring down overhead expenses. The depression soon demonstrated the inadequacy of the Farm Board to deal with the post-war farm problem.

The reader will find interesting the discussion of the reasons for benefit payments under the Agricultural Adjustment act and the nature of the services for which farmers were paid. "Not producing" appears to be a unique kind of service. The author points out clearly the conflicting notions of paying for a service and providing an income supplement, and he shows the inconsistency of treating this income supplement as a part of the price or as the farmers' tariff.

The wheat processing tax is described as "regressive" on two accounts: (1) that it bore heavily upon low income groups; and (2) that the funds were used in securing a reduction in supplies with a view to raising wheat prices. As a measure of social justice, however, it was generally accepted without much protest.

Dr. Davis finds that the wheat program as a whole was administered with remarkable success in maintaining the good will of the grain trade, the milling industry, the growers and the farmers' organizations.

The author states that the wheat administrators handled a difficult program remarkably well and with fairly good results, but neither the results nor the prospects justify an indefinite continuation of the experiment. Although parity prices were not realized, incomes of producers were materially increased by over $200,000,000 above what they otherwise would have been. This was done at the expense of consumers of wheat, and did not contribute appreciably to "promoting *general* business recovery or to increasing the total national money income."

The ever-normal granary scheme is criticized as being superfluous as a guarantee of food supply; it would seem that the public took all the risk and the producer received all the benefits.

With reference to production control, the author poses the following pertinent questions: (1) Was the reduction of wheat production a rational objective? (2) Can the wheat program furnish a desired production control? (3) Can a government agency bring about better readjustment of wheat production than economic forces can?

The parity price philosophy, dealt with at some length, is composed of two distinct ideas: (1) parity representing a sort of economic normal price of wheat; and (2) a socially just price. The author observes that it is difficult to ascertain "what the economic 'normal' price of wheat has been, is, or will be"; but by his own calculation he reduces the disparity for 1933 to 6.5 cents as compared with 27.7 cents as computed by the data and method prescribed in the Act. He arrives at the lower figure not only by scaling down the base period to a lower level for "normal" but also by modifying the index of prices that farmers pay to allow for improvement in quality of goods purchased.

Can the government deal successfully with the problem of a fair price? Dr. Davis observes that fairness is a matter of opinion; and opinions are affected by benefit payments; and the distribution of these payments powerfully influences votes. Admitting that public opinion may be fickle, it does not follow that public administration should not assume some responsibility for dealing with agricultural price and income problems on this account. Such problems cannot be dodged.

Although Dr. Davis concedes the possibility that the government may contribute somewhat to the improvement of economic conditions for the wheat grower, he remains sceptical of what may be accomplished in the future and doubtful of the wisdom of program makers. He stands ready to praise accomplishments, but discourages further ventures. He states the extremes between the allowing of economic forces to operate unmodified and a complete socialization or control.

Is there not a reasonably safe course between these extremes? Perhaps

instead of turning back, we should proceed with caution, but keep going ahead.

O. C. Stine

Washington, D.C.

NEW BOOKS

Brinkmann, T. *Economics of the farm business.* (Berkeley: Univ. of California Press. 1936. $2.)

Brown, J. C. *India's mineral wealth: a guide to the occurrences and economics of the useful minerals of the Indian Empire.* New enl. ed. (New York: Macmillan. 1936. Pp. 345. $5.)

Chen, H. S. *Landlord and peasant in China: a study of the agrarian crisis in South China.* (New York: International Pubs. 1936. Pp. xvii, 144. $2.)

Dr. Chen has made an intensive study of the economic status of landlord and peasant in Kwantung province. His findings are interpreted throughout the volume and summarized in an extensive statistical appendix. Some of the more important conclusions follow.

The standard of living of the Chinese peasant, already unbelievably low, is falling still further; and rural tenancy is increasing because (1) agricultural prices are falling as the result of the business depression, loss of foreign markets, and increased imports of food and textiles, (2) taxes are rising under a militaristic and graft-ridden government, (3) interest rates are extortionate (25 to 100 per cent and more) and are rising as desperate farmers borrow to stave off ruin, (4) poverty-stricken peasants are unable to prevent the illegal exactions of rapacious landlords and bandits armed with modern weapons, (5) emigrant remittances have declined during the depression and many have returned to the home of their ancestors bringing additional mouths to feed from overworked land, and (6) lack of an adequate industrial alternative or outlet for surplus population.

By reading between the lines and scanning the more forthright introduction, the reviewer concludes that Dr. Chen is convinced that communism offers the only way out. However, his chief purpose seems to be to present the facts and let the reader judge for himself if there be any other hope for raising the living standards of 400 million Chinese people.

Robert B. Pettengill

Coggin Brown, J. *India's mineral wealth.* (London: Oxford Univ. Press. 1936. Pp. 355. 15s.)

Douglass, B. W. *The New Deal comes to Brown County.* (Garden City: Doubleday Doran. 1936. Pp. 86.)

Elsworth, R. H. *Statistics of farmers' coöperative business organizations, 1920-1935.* Bull. no. 6. (Washington: Farm Credit Admin. 1936. Pp. 133. Gratis.)

Farley, M. S. *Agricultural adjustment under the New Deal.* (New York: Am. Council Inst. of Pacific Relations. 1936. Pp. 50.)

Prepared for the sixth international conference of the Institute of Pacific Relations, held at Yosemite, California, August 15-29, 1936.

Garside, A. H., director. *Cotton year book of the New York Cotton Exchange.* (New York: N.Y. Cotton Exchange. 1936. Pp. 249.)

Hitchcock, J. A. and Williams, S. W. *Studies in Vermont dairy farming.* IX. *The Champlain Valley during a major depression.* Bull. 405. (Burlington: Vermont Agric. Experiment Station. 1936. Pp. 24.)

Howell, L. D. and Burgess, J. S., Jr. *Farm prices of cotton related to its grade and staple length in the United States, seasons 1928-29 to 1932-33.* U. S. Dept. of Agric. tech. bull. no. 493. (Washington: Supt. Docs. 1936. Pp. 62. 10c.)

Jones, G. H. *The earth goddess: a study of native farming on the West African Coast.* (New York: Longmans Green. 1936. Pp. vii, 205. $5.)

Kepner, C. D. *Social aspects of the banana industry.* (New York: Columbia Univ. Press. 1936. Pp. 230. $3.)

Lester, A. H. and Ferguson, D. G. *Your food supply: destruction of the surpluses; meat; grains; dairy products; fruits and vegetables; budget protection.* (Cambridge: Am. Inst. for Econ. Research. 1936. Pp. 63. $1.)

Lilley, E. R. *Economic geology of mineral deposits.* (New York: Holt. 1936. Pp. x, 811. $5.)

Lower, A. R. M. and Innis, H. A. *Settlement and the forest frontier in Eastern Canada. Settlement and the mining frontier.* Canadian frontiers of settlement, vol. ix. (Toronto: Macmillan. 1936. Pp. xiv, 424. $4.50.)

Martin, R. F. *Income in agriculture, 1929-1935.* (New York: Nat. Industrial Conf. Board. 1936. Pp. xviii, 168. $2.50.)

Parkins, A. E. and Whitaker, J. R., editors. *Our natural resources and their conservation.* (New York: Wiley. 1936. Pp. xii, 650. Trade ed., $5; college ed., $4.)

Over 20 specialists have contributed to the writing of this book. The volume is comprehensive in its planning. There are chapters on the conservation movement, public domain, soils, forests, and lands, reclamation, water supply and power, waterways, flood control, mineral resources, recreational resources, wildlife, planning, and the conservation of man. Maps and illustrations add to its interest. The appendix contains a selected bibliography of 12 pages.

Pogue, J. E. *The economic structure of the American petroleum industry.* Third World Power Conference, section ii, paper no. 5. (Washington: Supt. Docs. 1936. Pp. 47.)

Prentice, E. P. *Farming for famine.* (Garden City: Doubleday Doran. 1936. Pp. 155. $1.25.)

Ronk, S. E. *Prices of farm products in New York State, 1841 to 1935.* Bull. 643. (Ithaca: Cornell Univ. Agric. Experiment Station. 1936. Pp. 76.)

Roush, G. A., editor. *Mineral industry: its statistics, technology and trade.* Vol. 44, 1935. (New York: McGraw-Hill. 1936. Pp. 754. $12.)

Rowe, H. B. *Tobacco under the AAA.* (Washington: Brookings Institution. 1935. Pp. 317. $2.50.)

The author presents a clear description of conditions existing at the time of the inauguration of the program and of its operation through 1934. He also deals in an admirable manner with many controversial issues as to the intentions of the Act and its actual results.

One of the questions the author undertakes to answer is: Did the original Agricultural Adjustment act provide only for an emergency program or was it intended to be merely a first step in the development of a long-time program? Mr. Rowe recognizes that there was diversity in the interpretations of the Act

and in the intentions of those who were administering it. The legislation and the first formulation of policies and programs were ostensibly for an emergency. Some of those who were responsible for the legislation and for developing policies, however, were from the outset looking forward to a long-time program. Even those who had in view a long-time program considered it politically expedient to take the first step with a program constructed as for an emergency, and to let the permanent program develop from the emergency act and the procedures based upon it.

Another issue at the beginning was, which of two important provisions—marketing agreements or production control—would be taken as the major approach to the tobacco situation. The administrator at the outset was apparently not in favor of production control, but conditions which developed led him to accept it. The choice of production control as the primary means of remedying the tobacco situation was supported by the prospects of a large crop and the very low prices in 1933, the attitude of the buyers, and ultimately by the expression of Congress in the Kerr-Smith act. Thus contract control became the dominant feature of the tobacco administration. It was supported to some extent by marketing agreements.

The author commends highly the tobacco administration and particularly the flexibility of its programs which were made and carried out always with due regard to diversity of conditions and to the results to be accomplished. He recognizes the importance of very low prices and generally unfavorable conditions in 1933 in securing a high percentage of signers and the coöperation of buyers in a marketing agreement for that year. He also recognizes that improvement in demand was an important factor in making the program generally acceptable. He concludes that, although the program was a success as an emergency measure, in that it raised prices and increased the incomes to tobacco producers, the gains from the same or a similar program, continued over a series of years, probably would not be as great as in these early years.

In considering the suitability of the tobacco program for a long-time measure, it would be necessary to reëxamine the achievements under this program to try to determine what they might have been with declining prices and shrinking demand, as against recovering from a depression with prices and incomes of consumers rising. It is recognized that the devaluation of the dollar in 1933 contributed something to the advances in prices, but its significance and the extent of its influence in advancing the prices of tobacco as well as increasing exports has not been adequately treated. The author notes the increase in the consumption of tobacco, but does not develop an adequate analysis of factors influential in increasing the demand for tobacco. There is also the question as to who paid the processing taxes. The author believes that the processing taxes came out of the processors' margins. This is doubtful. The problem of determining this is complicated by the fact that tobacco is processed over a period of more than one year; and there is not necessarily a close relationship between the current prices paid to farmers for tobacco leaf and the retail prices paid by consumers for tobacco products.

O. C. Stine

Stauber, B. R. and Regan, M. M. *The farm real estate situation, 1935-1936.* U. S. Dept. of Agric. circ. no. 417. (Washington: Supt. Docs. 1936. Pp. 40.)

Thomsen, F. L. *Agricultural prices.* (New York: McGraw-Hill. 1936. Pp. x, 471. $4.)

Tobey, J. A. *The legal aspects of milk control.* (Chicago: Internat. Assoc. of Milk Dealers. 1936. Pp. vii, 102.)

The Cape Cod cranberry industry. (Barnstable, Mass.: Cape Cod Cranberry Growers' Assoc. Pp. 19.)

Coal: the labour plan. (London: National Council of Labour. 1936. Pp. 31. 3d.)

The cotton economy and its problems. Proc. of the Southern Social Science Research Conference, New Orleans, March 8-9. (Dallas: Arnold Found., Southern Methodist Univ. 1936. Pp. 86.)

Cotton production and distribution, season of 1935-36. Bull. 173. (Washington: Bureau of the Census. 1936. Pp. 54. 10c.)

Crop insurance: selections and excerpts. (Washington: Supt. Docs. 1936. Pp. 26.)

Income from farm production in the United States in 1935. (Washington: U. S. Dept. of Agric. Bureau of Agric. Econ. 1936. Pp. 24.)

The iron and steel industry. Market res. ser. no. 14. 2, basic industrial markets in U. S. (Washington: U. S. Dept. of Commerce Bureau of Foreign and Domestic Commerce. 10c.)

Junta Reguladora de Vinos: memoria correspondiente al año 1935. (Buenos Aires: Jacobo Peuser. 1936. Pp. 488.)

Minerals yearbook, 1936. (Washington: Supt. Docs. 1936. Pp. 1136. $2.)

National Fertilizer Association: proceedings of the twelfth annual convention, held at White Sulphur Springs, West Virginia, June 8-10, 1936. (Washington: Nat. Fertilizer Assoc. 1936. Pp. 142.)

Contains papers: "Financing American agriculture," by W. I. Myers, governor of the Farm Credit Administration; "Open pricing within the law," by C. J. Brand; and "The voice of the soil in national prosperity," by J. F. Cox.

Report of the Secretary of Agriculture, 1936. (Washington: Supt. Docs. 1936. Pp. iv, 115.)

A survey of research in forest economics. Report by the Sub-Committee on Scope and Status of Research in Forest Economics, under the direction of the Committee on Social and Economic Research in Agriculture. (New York: Social Science Research Council. 1936. Pp. 52.)

Wheat studies. Vol. xiii, no. 1. *World wheat survey and outlook, September, 1936.* No. 2. *The timing of wheat marketing in Western Canada.* No. 3. *Wheat problems and policies in Germany.* No. 4. *The world wheat situation, 1935-36: a review of the crop year.* (Stanford University, Calif.: Food Research Inst. 1936. Pp. 1-31; 33-64; 65-140; 141-232. 60c.; $1.00; $1.25; $1.25.)

Manufacturing Industries

NEW BOOKS

Amin, B. D. *A memorandum on the spirit and pharmaceutical industry of India with a discussion of its difficulties, needs and requirements.* (Baroda, India: Alembic Chemical Works. 1936. Pp. 52.)

Coote, J. A. *A graphical survey of the Canadian textile industries.* McGill soc. res. ser. no. 4. (New York: Oxford Univ. Press. 1936. Pp. 248. $1.75.)

Ellsworth, J. E. *100 years: the Ensign-Bickford Company and the safety fuse industry in America. A record of one hundred years of achievement, 1836-1936.* (Chicago: Donnelley. 1936. Pp. xv, 211.)

JOSHI, N. M. *Urban handicrafts of the Bombay Deccan.* (Poona: Gokhale Inst. of Politics and Economics. 1936. Pp. x, 207. Rs. 2-8.)

KELLEY, F. C. *One thing leads to another: the growth of an industry.* (Boston: Houghton Mifflin. 1936. Pp. 104. $1.75.)

History of the development of the Commercial Solvents Corporation, showing the range of its products.

STONE, R. W. and STONE, U. B. *The baking industry under N. R. A.* (Chicago: Univ. of Chicago Press. 1936. Pp. xiii, 105.)

TREMELLONI, R. *L'industria tessile italiana: come è sorta, e come è oggi.* (Turin: Einaudi. 1937. Pp. 294. L. 15.)

Partners: a history of the development of the Wyomissing industries. (Reading, Pa.: Wyomissing Industries. 1936. Pp. 179.)

Small-scale industries of Japan. Japanese Council papers, no. 4. *The cotton industry,* by TEIJIRO UYEDA and TOKIJIRO MINOGUCHI. (Pp. 101. 30c.) No. 5. *The woollen industry,* by TEIJIRO UYEDA and TOSUKE INOKUCHI. (Pp. 45. 25c.) No. 6. *The rayon textile industry,* by TEIJIRO UYEDA and TAKEO SODA. (Pp. 26. 25c.) No. 7. *The rubber goods industry,* by TEIJIRO UYEDA and TEIJU ODAHASHI. (Pp. 55. 25c.) No. 8. *The bicycle industry,* by TEIJIRO UYEDA and HIROSHI KOYASU. (Pp. 25. 20c.) No. 9. *The enameled ironware industry,* by TEIJIRO UYEDA and HIROSHI KOYASU. (Pp. 15. 20c.) No. 10. *The electric lamp industry,* by TEIJIRO UYEDA and TOSUKE INOKUCHI. (Pp. 25. 20c.) (Tokyo: Japanese Council, Inst. of Pacific Relations. 1936.)

Società Edison: nel cinquantenario, 1884-1934. Vol. I. *Cinquant' anni di evoluzione delle costruzioni idrauliche, dei motori primi, delle macchine e delle condutture elettriche.* Vol. II. *Caratteri e sviluppo dell' industria elettrica nell' economia italiana.* Vol. III. *Lo sviluppo dell' industria elettrica nel mondo.* Vol. IV. *Lo sviluppo della Società Edison e il progresso economico di Milano.* (Milan: Soc. Edison, 31 Foro Bonaparte. 1936. Pp. 510; 487; 632; 318.)

This sumptuously printed and illustrated work was issued to celebrate the fiftieth anniversary of the founding of one of the oldest and largest electrical enterprises in the world. For each volume Professor Mortara has written a preface; but his special services have rather been to direct the studies which made the text possible and to write one of the principal essays.

Volume I deals technically and historically with the generation and transmission of current. Volume II concerns only electrical development in Italy. The editor points out that the economic aspects of this, the largest Italian industry, have never been amply treated, and assumes to make but a beginning here. (The corporative system, he adds, should prompt many such studies.) Motta, president of the Milan Company, discusses several economic aspects; and Mortara follows with a copious account of the development of electrical services in Italy. Mortara and others discuss the progress of mechanization and electrification in Italian industry. Volume III traces electrical development in nine other leading countries, some relying chiefly on hydraulic power, some mainly on steam, and some, including the United States, having much of both. Succinct bibliographies are given. Volume IV examines the economic development of the Milan area and contributes a history of the Edison company.

R. F. F.

Steel and the public. (New York: Am. Iron and Steel Inst. 1936. Pp. 18.)

Addresses by E. G. Grace on "The steel industry"; by W. A. Irvine on "How steel met the depression"; and by T. M. Girdler on "A pound of steel."

Transportation and Communication

NEW BOOKS

CLARK, T. D. *A pioneer southern railroad from New Orleans to Cairo.* (Chapel Hill: Univ. of North Carolina Press. 1936. Pp. 171.)

CLEMENT, M. W. *A railroad president looks at his job: reflections upon the railroads and their progress.* (Philadelphia: Pennsylvania Railroad Co. 1936. Pp. 22.)

Address before the annual meeting of the Harrisburg Chamber of Commerce, October 5, 1936.

DUNCAN, C. S. *A national transportation policy.* (New York: Appleton-Century. 1936. Pp. vii, 315.)

HERRING, J. M. and GROSS, G. C. *Telecommunications: economics and regulation.* (New York: McGraw-Hill. 1936. Pp. 554. $5.)

JACKMAN, W. T. *The railway problem today.* (Montreal: Financial Times. 1936. Pp. 16.)

Address to the Canadian Club of Ottawa, November 7, 1936.

LEWIS, E. A., compiler. *Laws relating to interstate and foreign commerce, August 29, 1916-June 26, 1936.* (Washington: Supt. Docs. 1936. Pp. 350. 15c.)

WALDEN, C. F. *Fundamentals of transportation.* (New York: Traffic Pub. Co. 1936. Pp. 308.)

Awards 1001 to 1200, first division, National Railroad Adjustment Board. Vol. 6. (Washington: Nat. Railroad Adjustment Board. 1936. Pp. 547. $1.50.)

Concerns engineers, firemen, conductors, trainmen and switchmen.

Financial and operating statistics of carriers by water reporting to the Interstate Commerce Commission, calendar years 1929, 1934 and 1935. Stat. summary no. 20. (Washington: Assoc. of American Railroads, Bureau of Ry. Econ. 1936. Pp. 5.)

Rail service and its cost: the farmers' real interest. (Washington: Assoc. of American Railroads. Pp. 4.)

Selected statistics relating to large steam railways (with annual operating revenues above $25,000,000), 1925-1935. (Washington: Interstate Commerce Commission. 1936. Pp. 29. 20c.)

Suggested reading for the study of highway transportation. (Washington: Nat. Highway Users Conference. 1936. Pp. 11.)

Trade, Commerce, and Commercial Crises

The Trade Cycle: An Essay. By R. F. HARROD. (New York: Oxford Univ. Press. 1936. Pp. ix, 234. $3.75.)

Mr. Harrod finds the explanation of the trade cycle in certain concomitants of the process of capital accumulation. Others have, of course, preceded him in linking the cycle with this process. But the theories they have formulated miss, Mr. Harrod maintains, the "necessary links" which make his theory "an intelligible and self-consistent whole." His theory, he contends, has the further merit that "a larger number of the special phenomena of the trade cycle are accounted for as the necessary consequences of its central propositions than are accounted for by any other theory." These

are high claims; but whether they are accepted or not, there can be no doubt of the importance of the book. It is stimulating and challenging, lucid in style, penetrating in analysis, cogent in argument—definitely a volume which no economist can afford to miss.

Saving and investment are defined by Mr. Keynes in his latest work in such a way that they are necessarily equal. This formula and its implications, in conjunction with further propositions as to the relationship between an increase in the demand for consumable goods and the demand for durable goods, constitute the foundation upon which Mr. Harrod builds his theory. In the brief space allotted to this review it is impossible to do more than give a bare outline of the theory, omitting any reference to the numerous refinements and qualifications.

In the absence of inventions, the construction of new capital goods will be undertaken only if there is an expectation of a growth of consumption. The volume of saving depends, primarily, not on the prospective rate of growth of income, but on its present size. Yet, though saving and investment result from the decisions of different people influenced by different motives, they are inevitably brought into equivalence from the operation of forces which give rise to the cycle. Suppose a decline in the demand for new capital goods. The increase of income will slow down, but the magnitude of income may not fall. Savers, consequently, not being disposed to save less, a fall in consumption ensues, owing to the deficiency of spending on consumption of those engaged in making capital goods. Despite the intentions of savers, saving is kept equal to investment, partly through the accumulation of stocks on hand (a form of capital goods), and partly through the loss of income and consequential reduction of saving which the piling up of unsold goods entails. The decline of consumption brings a much greater contraction in the amount of net investment. This brings about a further fall in consumption, and so the vicious spiral continues, until net investment reaches the bottom, and incomes become so low that no more is saved than is necessary to finance the bare minimum of investment. (Mr. Harrod details reasons for assuming that as incomes decline the proportion saved tends to become smaller). The recovery and boom are explained in similar terms.

Once the cumulative deflation has begun, it is unlikely that the operation of the self-perpetuating forces that caused the cycle can be checked. Just before the descent begins (the "breathing space") is the appropriate time for remedial measures. Among such measures Mr. Harrod has little faith in changes in the rate of interest or in the volume of money; for these are not, he believes, sufficiently potent influences to sustain the volume of net investment and so avoid the deleterious consequences of its decline. The main corrective he would apply is a large program of public works. To prepare projects of public works in advance, and to formulate statistical

tests for ascertaining when the breathing space is at hand, Mr. Harrod advocates the immediate establishment of a Public Works Planning Commission. But before he can get the responsible authorities to agree to set up such a Commission he will have to convince them of the substantial validity of his theory, and of the efficacy of public works as an equilibrating force—a truly Herculean task.

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International Transactions of the United States: An Audit and Interpretation of Balance-of-Payments Estimates. By Ray Ovid Hall. (New York: Nat. Industrial Conf. Board. 1936. Pp. xv, 230. $3.00.)

Dr. Hall prepared the United States Department of Commerce bulletins on the *Balance of International Payments of the United States* for the years 1926 through 1929, and was largely responsible for the 1930 bulletin, so that it can be said that he has "lived" the development of the statement from its small beginnings to an elaborate, detailed work. He terminated his work with the Department in 1931, consequent upon some differences of opinion as to policy and as to statistical adjustments.

In this much-needed analysis Dr. Hall presents an explanation, as useful as it is detailed, of the make-up of each item in the statement, giving sources and methods of compilation, as well as the uses to which the results can be put. His suggestions as to "concepts and methods used in estimating, compiling and presenting data in balance-of-payments statements, and regarding their interpretation and application to practical problems" (p. vi) convey a promise which is amply fulfilled in the large detailed table of the balance of international payments of the United States for the calendar years, 1922-1934. It is asserted that this table, the result of auditing, revising and adjusting individual items, is a "uniform, comparable, and complete series of annual figures from 1922 to 1934" and free of the inconsistencies found in the Department of Commerce series.

The definitions and explanations of just what constitutes a balance-of-payments statement should be most welcome in beginning classes on international trade. The discussion of the mechanism of making and using the statement will still further clarify it. Nor should the warning, voiced in the foreword (by Virgil Jordan), that "practically all the figures in a statement of the balance of payments are estimates" (p. v) go unheeded.

Dr. Hall's classification of the items in the balance-of-payments statement differs somewhat from Dr. Falkner's classification into mercantile, financial and personal, and from Miss C. Lewis' of trade, service and financial. In this study the classification is "commodity trade, miscellaneous

invisible items, movement of private long-term capital, movement of short-term capital, and pure-cash items" (p. 28). Each item (net) is a debit or credit depending upon whether "the result of a given transaction is a purchase or sale of dollar exchange" (p. 32), *i.e.,* "a balance of payments itemizes international transfers of purchasing power. The debit footing shows the extent to which the United States contributed to the purchasing power of the outside world; the credit footing shows the extent to which our dealings with foreigners increased American purchasing power" (p. 25).

The discussion of the equilibrium concept rests upon the law of detractions and promotions, "phenomena . . . first pointed out as universal in a footnote to the Commerce Department's bulletin for 1926," by the author of this work. Dr. Hall explains this theory as follows: "Since equilibrium in the table there must be, note what must happen if a selected item in either column expands. That change tends to detract from every other item in that column and to promote every item in the opposite column" (p. 58). And correspondingly, of course, if an item contracts.

The subject of chapters 8 and 9, the comparison of variants, "a statistical device by means of which it is possible to measure at least the strongest detractive and promotive influences" (p. 65), was first discussed in the 1930 bulletin and in the *American Bankers Association Journal* for June, 1930, by Dr. Hall. Although the subject is explained in more detail here, it does not deal with any later figures than does the bulletin. Nor does it rest upon Dr. Hall's "more precise and more comparable figures" (p. 137) prepared for this book.

The discussion of transfer problems in chapter 10 is elucidating, and makes one wish there were more than a mere 10 pages devoted to it.

In the chapter on the United States as a creditor nation, the statements that "America (the New York securities market) won its epithet, the international financial nuisance" (pp. 106, 109), and that "world deflation had a principal source in the United States" (p. 113) will undoubtedly give rise to strenuous objections.

In his review of some of the work that had already been done on the subject of the balance of payments, that by the Harvard economists, and that by George N. Peek, Dr. Hall is critical. He is probably a little harsher toward the work done by the Harvard group than it deserves. But his evaluations of the Peek balances of payments (chapter 12) are well worth reading, and should stimulate a more critical attitude toward a series of documents which refer to the balance of payments as a "balance sheet," and to a balance sheet as a "simple device . . . to discover whether we have been doing business at a profit or at a loss" (see May 23, 1934, *Letter to the President from George N. Peek, Special Adviser to the President on Foreign Trade*).

The auditing notes (appendix), which comprise about two-fifths of the book, give a full detailed account of each item in the statement, pointing out those published figures which Dr. Hall readily accepts, and those which he thinks have serious enough shortcomings to warrant adjustment.

JAMES D. PARIS

Pelham, New York

Analyses of Business Cycles. By ARTHUR B. ADAMS. (New York: McGraw-Hill. 1936. Pp. xi, 292. $3.00.)

Some years ago, Professor Adams prepared a useful little work on *Economics of Business Cycles*. In the reviewer's opinion, he would have done well merely to have revised that work.

The author distinguishes two types of business cycles. These he calls (1) inflation-deflation cycles, and (2) over-investment—under-consumption cycles. He states (p. 44) that actually we find no good illustration of either type, and that most of the "larger" cycles show signs of both types. Both have similar symptoms in the rise and fall of commodity price averages; but the first type appears to be initiated by currency or credit inflation, and the second type seems to be initiated by expanding investment and production. (It is not at all clear, however, that an expansion in bank credit is not as important in the second type as in the first.)

It seems that in the inflation-deflation type of cycle there are "booms," which originate in connection with settling new territory, exploiting natural resources, developing new industries, or revolutionizing old industries. Sometimes wars, financed by loans, do the trick; and the author suggests that large government spending programs, similarly financed, might also work. The boom inevitably crashes for one or more of the following reasons: profits decline because costs rise; the physical production of goods is greater than consumer purchasing power; enterprisers accumulate large stocks of high-priced goods; bank credit becomes unsafe and bank reserves exhausted.

Apparently, however, without any boom, we may have a "very large" portion of income saved and invested, with the development of excess productive capacity resulting. Then, for some reason or other, not all money income is used to purchase both capital goods and consumer goods. A surplus results. Depression follows. Apparently, too, this so-called "over-investment—under-consumption" process occurs only in a condition of "maturity of industrial development." Such maturity has existed in the United States since 1876. Prior to that time, the "enormity" (*sic*) of the new capital funds required caused chronic shortages. (Yet strangely enough the depression of 1873-79 clearly resembles that of 1929-36, both in cause and in more superficial matters such as form and duration!)

Surely it must be the result of a desire to defend a distinction, such as that

between the two types of cycles, that leads Professor Adams to assert that practically no expansion of bank credit occurred between 1922 and 1929 (p. 141). A glance at the figures showing the course of bank loans is sufficient demonstration of the error of such a statement, and this is to say nothing of other aspects such as the turnover of bank deposits.

The author assumes that with "maturity" there comes a condition of unbalance, which to his mind chiefly means a condition in which what he calls "real wages" are not in proportion to what he calls "the value of the current industrial production" (p. 133). Aside from the question whether industrial maturity necessarily means industrial unbalance, the reviewer would point out the difficulty of comparing real wages with values. Throughout the book, but especially in chapter 7, there is a confusion of values and physical products. Along with this confusion goes the tendency to assume that somehow or other the "value of current production" must be maintained, and that therefore the purchasing power of American consumers must be maintained.

This concept fits in with the author's tendency to assume that "bank credit" is some sort of mysterious addition to purchasing power which can be manufactured by the banks (p. 6 and *passim*). When it comes to giving any illustration of "under-consumption" the author mentions the mortgaging of future income by instalment buying, which is spending in excess of current income. But is this not over-spending, and does it not lead to over-consumption?

In conclusion, it should be noted that, as is so often the case with the under-consumptionist, the real point lies in inequality of distribution, which is largely the result of monopoly. The primary question, therefore, is: Must we assume the continued existence of monopoly? And the next question is, If so, what reason is there to suppose control by a government monopoly would be conducive either to equality or to equilibrium?

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La Crise Economique dans le Monde et en France: Symptomes, Causes et Remèdes. By BERTRAND NOGARO. (Paris: Lib. Gén. de Droit et de Jurisprudence. 1936. Pp. 347. 35 fr.)

Professor Nogaro's theme is the existing world depression but in order not to limit *a priori* to the time since 1929 what may be a "prolongation of an anterior depression" he traces the course of events since the end of the war. Four indices—wholesale prices, industrial production, unemployment, and foreign trade—are used to characterize and delimit the various phases. Part 1 concludes with a chapter on conditions in France. Part 2 is

an examination of the explanations which have been offered. It is theoretical analysis with constant reference to the statistical evidence. In part 3, on the background of his carefully sifted facts and theories, he presents an explanation of the depression in a chronological rather than in a logical order. The occasion of the crisis was the "accidental" factor of the New York stock market crash; but a prior, more fundamental cause, and the chief reason for its unexampled severity, was the large stocks of material accumulated for years with the aid of credit and government valorization. Other factors also entered into the complicated process. Part 4 is a discussion of recovery measures proposed or tried. For France the monetary policy suggested by the author is that adopted in substance since the book went to press.

It is a great pleasure to read such a skillful presentation of fact and argument, but what does it leave to the reviewer? An adequate summary is not possible. The book itself could bear no compression. Nor are our critical instincts challenged. There is an obvious mastery of the facts and the utmost caution in drawing conclusions and in proposing remedies. The theoretical analysis is free from both confusion and over-simplification. Aside from the weight given certain factors there is only one idea which the present reviewer cannot accept—that the decreased purchasing power of the agricultural classes is an important cause of the depression in industry and commerce. There is indeed a sentence on page 308 indicating awareness of the objection to be made to the idea—namely, that lower agricultural prices give increased purchasing power to consumers and middlemen. It is waved aside, however, with the remark that "a change in the distribution of incomes is normally accompanied by a change in the character of markets and for that reason a discordancy between different groups of prices will constitute a serious cause of economic disturbance." There is also a notable omission to be attributed perhaps to the fact that the author gives little attention to other than French literature on the subject. It is the problem of saving and investment and the relation between the physical facts of production and consumption, and the different streams into which the total monetary flow is divided. But this, of course, is a vast field of controversy and to enter it would certainly have detracted from the assured and readable quality of the work.

Except for publications of the League of Nations there is too little about the world aspects of the depression published in the English language. For that reason and for its general excellence, an English translation of this work would be welcome.

G. A. Kleene

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NEW BOOKS

VON BECKERATH, U. *Créer du travail doit-il nécessairement coûter de l'argent?* (Paris: Recueil Sirey. 1935. Pp. 156. 15 fr.)

The author expounds the idea of a "compensation check" as a method of reviving international trade, and explains how public works could be created without the necessity of public borrowing.

M. N.

VON CIRIACY-WANTRUP, S. *Agrarkrisen und Stockungsspannen zur Frage der Langen "Welle" in der wirtschaftlichen Entwicklung.* (Berlin: Paul Parey. 1936. Pp. 445. RM. 23.)

FULTON, J. A. *Our economic nationalism: its purpose and importance. A series of seven economic writings, all dealing with the problems of foreign trade and their bearing upon the domestic affairs and welfare.* (McKeesport, Pa.: Author. 1936. Pp. 213. $2.)

DE HAAS, J. A. *Foreign trade.* (New York: Alexander Hamilton Inst. 1936. Pp. xxii, 400.)

HÜFNER, W. *Die Neuordnung der deutschen Verkehrswirtschaft unter dem Einfluss der Arbeitsbeschaffungsmassnahmen.* (Berlin: Junker und Dünnhaupt. 1936. Pp. x, 120. RM. 5.50.)

KNIGHT, A. W. *Abolish slumps: a diagnosis of the trade cycle.* (London: P. S. King. 1936. Pp. vi, 142. 6s.)

Mr. Knight's diagnosis of the trade cycle differs by its comparative brevity and dogmatism from many similar, recent attempts. After a scathing criticism of professional economists in general for their divergence of views and of orthodox economists in particular because of the alleged non-conformity of their deductions with the facts of economic life, Mr. Knight proceeds to evolve his own theory of the causes of recurrent depressions and mass unemployment. By introducing a number of algebraic and geometric formulas and by presenting some quantitative verifications taken from the studies of actual conditions in Great Britain and the United States, the author proves to his own satisfaction that his theory is correct.

Briefly, the thesis is that slumps occur because all incomes are not entirely spent; the act of withholding a part of incomes from spending either on consumers' or on producers' goods (investments) leads to the destruction of other incomes which are dependent on such spending and to ultimate breakdowns. According to the author, the remedy is within easy reach; to quote him, "Modern nations to insure their prosperity do not need markets abroad, or supplies of 'backward' countries for investment exploitation. The potential market for goods and services exists at home" (p. 126). All that is necessary is the establishment of communal control which would see to it that "the total rate of flow of spending is always adjusted to equality with the rate of flow of incomes" (p. 132). Under the guidance of a Central Economic Authority incomes and prices can be planned in such a way that total effective demand will "be always kept taut against total power to produce" (p. 133). The working out of the plan is left generously by the author to executives, to experts and specialists.

SIMON LITMAN

LOCKWOOD, W. W., JR. *The foreign trade policy of the United States.* Am. Council data papers, no. 5. (New York: Am. Council. Inst. of Pacific Relations. 1936. Pp. 58. 50c.)

———. *Trade and trade rivalry between the United States and Japan.* Am. Council papers. no. 6. (New York: Am. Council, Inst. of Pacific Relations. 1936. Pp. 66. 50c.)

MILHAUD, E. *Le cheque-compensation international devant l'opinion.* (Paris: Recueil Sirey. 1936. Pp. 302. 20 fr.)

———. *Une idée en marche; la compensation organisée.* (Paris: Recueil Sirey. 1935. Pp. 322. 20 fr.)

Professor Milhaud, who has made extensive studies of the various clearing and compensation arrangements, has evolved several ways of broadening the the operation of these systems through better international organization. In the first volume, he suggests the creation of a "compensation check" which is in the form of a return ticket. The route over which the check may go is optional but in the end it must return to the point of origin. This scheme has attracted much attention and has received the approval of economists as well as of business men engaged in international trade.

His proposals, while sound, fail to consider the abnormal political situation at present prevailing in many parts of the world, and the fact that in many countries clearing and compensation agreements have become means of controlling foreign trade. So long as these conditions exist, it is unlikely that even the most carefully thought-out plan will receive practical application from those countries which suffer most from the lack of foreign trade.

M. N.

NEISSER, H. *Some international aspects of the business cycle.* (Philadelphia: Univ. of Pennsylvania Press. 1936. Pp. xiv, 176. $2.50.)

OULÈS, F. *Le mécanisme des échanges internationaux et la politique commerciale en temps de crise.* (Paris: Recueil Sirey. 1936. Pp. 126. 20 fr.)

PEEK, G. N. with CROWTHER, S. *Why quit our own?* (New York: Van Nostrand. 1936. Pp. 353.)

The title of this book derives from a passage in Washington's *Farewell Address:* "Why quit our own to stand on foreign ground? Why by interweaving our destiny with that of any part of Europe, entangle our peace and prosperity in the toils of European ambition, rivalship, interest, humor, or caprice?" Here is the text for "an American (highly nationalistic) program for farm and factory."

About one-half the material has already appeared in the *Saturday Evening Post.* The extent of Mr. Crowther's participation is not clear, but the prevalence of the first person singular suggests that the volume is essentially Mr. Peek's offering. This is the more obvious since so large a part is devoted to his experiences at Washington in the AAA, the Export-Import Bank, and the office of Special Adviser on Foreign Trade. This part is a story of clashing personalities, convictions, and policies; of proposals rejected or disregarded; and of ultimate withdrawal from the scene to engage in a bitter anti-Administration campaign. The result is an ill-tempered book, denouncing indiscriminately those who differed with Mr. Peek as "collectivists," "professors," "internationalists," and, in general, as traitors to Americanism.

Suggestions are made for better coördination of agencies and statistical data relating to foreign trade. Criticism of AAA and of other Administration meas-

ures has been more competently presented by other writers. Mr. Peek's much-publicized "simple arithmetic" international "balance sheets" have been thoroughly dissected by Dr. Ray O. Hall (N.I.C.B., *International Transactions of the United States, 1936,* ch. 12). In view of the agricultural and general depression and of the prevalence of nationalistic policies and bilateral arrangements in so many lands, there was ample ground for honest differences as to American tariff policy and trade agreements. Such barter deals as Mr. Peek proposed might have yielded some quick, if fragmentary, results. His program of high protection all along the line, embargoes on all competitive farm products, and exclusive bilateral deals trading agricultural products for non-competitive raw materials and including exchange provisions for the collection of foreign debts, seems neither self-consistent nor convincing. Secretary Hull's program, with all its limitations as an emergency relief undertaking and all the difficulties of enforcing it in the face of counter-currents abroad, holds some promise of liberalizing trade on a rational, non-discriminatory basis. It is against this program that Mr. Peek's criticism is especially pointed.

PAUL S. PEIRCE

SALTER, A. *World trade and its future.* (Philadelphia: Univ. of Pennsylvania Press. 1936. Pp. 101. $1.50.)

The author foresees governments participating more actively and intimately in economic enterprise than before the depression and subordinating foreign trade interests to those of economic experiments; progress of industrial technique, in the short run, decreasing the dependence of small and less advanced countries on imports but, in the long run, making for trade expansion; foreign investments at a low level for some time to the detriment of trade, but ultimately revived and encouraged and directed by governments toward less developed regions; leaders of industry and trade tending to subordinate the advantages of stable foreign exchanges to that of security against deflation of internal price levels; and stabilization of currencies provisional and temporary for a long time, until stability of the general price level is assured and dislocations caused by mass movements of liquid capital and changes in investments are eliminated.

Outstanding suggestions as to future policies include: (1) as a first step toward conditional currency stabilization, an agreement between France, England, and the United States similar to the one which has since been informally negotiated, with which "it would be easy for the rest of the world to be associated"; (2) capital-forming countries, in a world of controlled trade, will and should adopt a lending policy, as a counterpart to their trade policy, bilateral and reciprocal and controlled in relation to national economic policy as a whole; (3) each government should carefully examine its position, aim not at a *positive* balance but at equilibrium, plan in broad outline the main items on both sides of its balance of payments (about what totals of exports and imports, what classes of goods in each category, what imports or exports of capital are desirable, and so on) and use this general conception of policy as a guide in determining action in each particular sphere; (4) as to tariff agreements, we must now start, not with a conception of free trade or stable low tariffs, but with the national policies, and try to develop them gradually through exclusive bilateral arrangements, toward a more liberal and expansive system.

Superficially, his proposals regarding exchange and trade agreements are quite at variance with current procedure at Washington; but basically, they

parallel the latter rather closely. Sir Arthur would not abolish the most-favored-nation clause, but would extend the conditions under which exceptions are customarily allowed, and he commends especially as a model the Montevideo Conference resolution on this point.

PAUL S. PEIRCE

SAYRE, F. B. *Reciprocal trade agreements.* Commercial policy ser., no. 28. (Washington: State Dept. 1936. Pp. 14. 5c.)

Address before the American Merchant Marine Conference, Boston, September 29, 1936.

SAYRE, F. B. and AUSTIN, W. R. *Will reciprocal tariffs promote American recovery?* America's town meeting of the air, ser. 2, no. 5. (New York: American Book. 1936. Pp. 32. 10c.)

UYEDA, T. *The recent development of Japanese foreign trade, with special reference to restrictive policies of other countries and attempts at trade agreements.* (Tokyo: Japanese Council, Inst. of Pacific Relations. 1936. Pp. 127.)

This report, prepared for the sixth conference of the Institute of Pacific Relations, summarizes, with abundant statistical material, the development of Japanese foreign trade from 1931 to 1935, and describes the resulting changes in the commercial policy of Japan's competitors and Japan itself. The gain in Japanese export trade after 1932 is attributed in large part to the policy of exchange depreciation. New markets for Japanese textiles, canned food products and miscellaneous manufactures were found principally in the United States and in the Orient. The invasion of these markets was promptly met by restrictive measures, higher tariffs, import quotas, import licensing regulations and exchange controls, all aimed specifically at limiting sales of Japanese goods. Japan attempted to remove the restrictions, first by negotiation and, where that failed, by retaliation.

A third of the pamphlet is devoted to the description of trade negotiations between Japan, on the one hand, and England, Canada, Australia, Egypt, the Netherlands, Germany and the United States. Documents are quoted and the author also discusses preliminary proposals giving the reader an inside story of the progress of negotiations. Of particular interest is the Japanese policy of voluntary control of exports, a device to avoid the imposition of quotas or higher duties. The pamphlet gives a valuable brief summary of a segment of commercial policy in the latter years of the depression.

PERCY W. BIDWELL

VAN VLISSINGEN, F. H. F. *Die Auswirkungen staatlicher Massnahmen auf den Welthandel.* (Jena: Fischer. 1936. Pp. 17.)

At first glance, it is surprising to discover an eminent Dutch banker, the president of the International Chamber of Commerce, lecturing to learned German economists about the virtues of free trade. Yet a cursory survey of the disastrous effects of economic nationalism assumedly justifies the assumption that the lessons of old have been forgotten. A review of the classical theory of international trade must be novel, if not illuminating, to the advocates of tariffs, subventions, blocked currencies, quotas, dumping, embargoes, boycotts and other restrictive practices. It is not surprising that we are told, in conclusion, that the removal of all restraints is a necessary prerequisite for the restoration of world trade.

J. WILNER SUNDELSON

WALD, A. *Berechnung und Ausschaltung von Saisonschwankungen.* (Vienna: Springer. 1936. Pp. viii, 140. RM. 7.80.)

WIBAUT, F. M. *A world production order.* Translated from the Dutch by R. W. ROAME. (New York: Adelphi. 1935. Pp. 240. $2.25.)

This has proved to be a disappointing book. Mr. Wibaut has lived since 1907 at Amsterdam, a sort of world's crossroads, where he has observed commerce, and business of all sorts; and the reviewer anticipated an incisive and practical analysis.

The author's major concern is with the disappearance or violent shrinkage in international trade in the post-war period under the surge of nationalism, higher and ever higher tariffs, or even culminating in quotas and embargoes. This is decidedly bad for the peoples of the world, as it robs them of the advantages of international trade and the purchase of goods produced under low cost conditions. With the able defense of the law of comparative advantage, the reviewer found himself in hearty agreement.

But international division of labor, Mr. Wibaut contends, can never be secured under capitalism and free enterprise spurred on by the profits motive. This is because the legislative bodies are under the power of pressure groups which demand more, and ever more protection. The home market must be preserved as a "private preserve" for domestic enterprises.

Since freer trade cannot be gained by a frontal attack upon these entrenched capitalists, Mr. Wibaut proposes a flank movement whereby we would first set aside capitalism, and introduce a sort of world confederacy of socialistic states—*A World Production Order*—by general socialization. With private enterprise and private profit eliminated, there would be no opposition to international trade and regional division of labor, with the result that the consumer could have his goods at prices governed by costs under the most advantageous circumstances.

Although the author is careful not to use the words "socialism" or "communism," his plan is not fundamentally different from that of Karl Marx. And being such, it is neither better nor worse than that well known plan. But the unique proposal that we persuade the world to adopt world-wide socialization in order that we may secure greater freedom in international trade seems to have something in common with the well known tactics of the farmer who burned down his barn to kill the rats.

H. L. MCCRACKEN

Commercial relations, agreement between the United States of America and the Union of Soviet Socialist Republics continuing in force until July 13, 1937, the agreement of July 13, 1935. Executive agreement ser., no. 96. (Washington: State Dept. 1936. Pp. 3. 5c.)

Consideraciones sobre la economia mundial. Estudio de problemas nacionales no. 46. (Buenos Aires: Impresora Argentina. 1936. Pp. 30.)

Foreign commerce handbook. (Washington: Chamber of Commerce of U. S. Pp. 44.)

Incoterms 1936: international rules for the interpretation of trade terms. Brochure no. 92. (Paris: Internat. Chamber of Commerce. 1936. Pp. 26.)

In English, French and German.

Review of world trade, 1935. (Geneva: League of Nations. New York: World Peace Found. 1936. Pp. 85. 60c.)

Trade recovery through reciprocal trade agreements. Commercial policy ser. 29. (Washington: State Dept. 1936. Pp. 13. 5c.)

Accounting, Business Methods, Investments and the Exchanges

Engineering Valuation. By Anson Marston and Thomas R. Agg. (New York: McGraw-Hill. 1936. Pp. xiii, 655. $6.00.)

This book, designed for "practising engineers" and "also for use as a college textbook," consists primarily of data and formulas relative to property mortality (pp. 33-76), observations on depreciation methods and accounts (pp. 77-156), summaries of court decisions bearing on valuation (pp. 186-252), tables and charts dealing with price indexes (pp. 253-294), discussion of cost and other evidences of property value (pp. 305-384), outline of valuation problems and procedures in terms of particular types of property and fields (pp. 387-495) and appendices covering depreciation rates, mortality characteristics, condition percentages, etc. (pp. 497-633).

Particularly disappointing is the failure of the writers to grapple effectively with the many fundamental and perplexing questions associated with plant and enterprise valuations. Nowhere is found a clear-cut statement of underlying considerations which would be acceptable to the economist. Service is stressed as the basis of value (the distinction between "earning values" and "service-worth values" does not seem to be important) but later on it is admitted that in private industrial properties the "weights due the cost values . . . are usually greater than are due their earning values" and that in the valuation of public utilities the "just and right weights due the cost values . . . must usually be great enough to exclude giving any weight whatsoever to their earning values." Reproduction cost is accepted as more influential than original cost "during periods of rising or falling construction-cost price levels," but there is no adequate discussion of either phase of cost as a valuation base or of the controversial questions involved. Particularly to be regretted is lack of emphasis on the limitations of cost—original or otherwise—as evidence of value in the case of plant assets which would not be replaced in kind in view of technological conditions of the date of appraisal.

No attention is given to the contrast between recomputation of cost to reflect a change in the value of money and determination of specific reproduction cost—an important matter consistently neglected by appraisers and by the commissioners and courts in rate cases. The dictum that "going value" is a separate and distinct element of value seems to be endorsed, although there is mention of the Des Moines Gas Company *v.* Des Moines case in which it was pointed out that if all cost factors of a concern organized and in operation are taken into account going value has received proper recognition. The distinction between the value of the enterprise in its entirety and the result of a conventional appraisal of the component assets is not made clear, and the position of the intangibles as a reconciling element

is not indicated. Another fundamental matter which is neglected is the meaning of "fair rate of return." Exclusion of such assets as accounts receivable from working capital on the ground that they "include profits" is naïve, even from the standpoint of "engineering valuation," in view of the fact that profits may be invested in plant or any other asset. Here as elsewhere the authors are evidently preoccupied with the conditions of rate cases, although the discussion of working capital valuation and other issues arising in such cases is inadequate.

Most accountants (and perhaps a few engineers) will be pleased with the insistence that depreciation is an ordinary cost of production and must be regularly included in operating expenses, that "deferred maintenance" is no proper measure of accrued depreciation, and that the prospective services in a unit of plant property as well as physical condition must be considered by those inspecting property for valuation purposes. On the other hand, accountants will not find the authors' discussion of the relation between maintenance and depreciation (which fails to emphasize the importance of the unit selected for accounting purposes) very penetrating, and will note numerous instances of careless and ambiguous use of such terms as "reserve," "expense," "expenditure," and "fund." Neither will they be pleased with the statement that "discounts and/or premiums on securities sold must not be capitalized . . . (as) they are increases or decreases, respectively, in the actual interest and/or dividend rates yielded, as compared with the 'nominal' rates specified"—a mixture of commendable and unsound ideas.

Both mathematicians and accountants will be surprised to learn that "one of the authors . . . who . . . has been teaching engineering valuation continuously since 1920, to a total, up to 1935, of some 3,000 engineering college senior students, came gradually to realize in his study and researches that the only correct principle by which true actual depreciations can be determined is the present-worth principle . . . (and) about 1924 . . . worked out . . . formulas . . . *based entirely on present-worth principles,* (which, 'fortunately') gave the same results which the sinking-fund assumption would call for if an interest rate equal to the fair rate of net return . . . were used instead of the 3 to 5 per cent . . . prescribed by general custom for sinking-fund depreciation computations." That all of the interest methods of charging depreciation are but minor variations of the traditional sinking-fund approach has long been a commonplace of actuarial mathematics and on behalf of the accountants was pointed out emphatically by R. A. Stevenson in 1917. Accountants who have had considerable experience in the field of valuation and acquaintance with valuation engineers, will be interested in noting the willingness of the authors to place the work of tracing the corporate history, including analysis of income and property accounts, upon the broad shoulders of the engineer.

No doubt practising engineers, particularly beginners, can find many useful data and references in this volume. Many engineers need the repeated warning that evaluation involves careful consideration of a number of factors. That nothing definite is offered as a guide to finding the "just and right weights" to be given cost and other evidences may be disappointing to the appraiser seeking help, but he should remember that the commissions and courts have always confined themselves to mouth-filling phrases on the subject. The authors do present an interesting tabulation designed to show the "approximate relative weights given cost and reproduction cost" in a number of rate cases. The engineer leaning on this work will find himself somewhat in doubt as to the precise method of computing amount of net return and how to estimate reasonable rate of return. He should also be cautious in applying the "wise-retirement" formula, as the authors have here over-simplified a very difficult problem, and he may not find the material on property mortality very helpful, particularly in dealing with industrial property.

As suggested above, a large part of the book is taken up with charts and tables. Many of the charts, unfortunately, are "cluttered" and hence hard to follow.

W. A. Paton

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NEW BOOKS

Bacas, P. E. *Auditing practice set.* 3rd rev. ed. (New York: Ronald. 1936. $2.75.)

Baker, J. C. and Malott, D. W. *Introduction to corporate finance.* (New York: McGraw-Hill. 1936. Pp. 404. $3.)

Bennett, G. E. *Bookkeeping: principles and practice.* (New York: Longmans Green. 1936. Pp. 232. $1.)

Bernays, E. L. *Presenting American business.* (New York: Today, 152 W. 42nd St. 1936. Pp. 12.)

Brower, F. B. *Plans for stimulating suggestions from employees.* (New York: Nat. Industrial Conf. Board. 1936. Pp. viii, 46. $2.)

Burton, N. L. *Introduction to cost accounting.* (New York: Longmans Green. 1936. Pp. 278. $1.)

Carmichael, G. *Accounting: principles and practice.* (New York: Longmans Green. 1936. Pp. 250. $1.)

Collins, B. S. *The A B C of business insurance trusts.* (Boston: Bruce Humphries. 1936. Pp. 111. $2.)

Cragg, A. *Understanding investment.* New 2nd ed. (New York: Dodd, Mead. 1936. Pp. 350. $2.)

Doherty, R. P. and Hartmann, M. *The economic organization of business.* (Boston: Manthorne and Burack. 1936. Pp. 291. $3.)

Doubman, J. R. *Principles of retail merchandising.* (New York: Longmans Green. 1936. Pp. 221. $1.)

Dygert, W. B. *Advertising: principles and practice.* (New York: Longmans Green. 1936. Pp. 220. $1.)

FILENE, E. A., with the collaboration of GABLER, W. K. and BROWN, P. S. *Next steps forward in retailing.* (New York: Harper. 1937. Pp. xvi, 309. $4.)

FINNEY, H. A. *Introduction to principles of accounting.* Rev. ed. (New York: Prentice-Hall. 1936. Pp. xv, 629. School, $4; business, $5.)

This is a revision of a book of the same title published in 1932 with some slight rearrangement of sequence and minor changes in content. Problem material has been shifted from the ends of the various chapters to the end of the book, which is 20 pages shorter. There appears to be no essential difference in approach.

WYMAN P. FISKE

FOULKE, R. A. *Fourteen guides to financial stability.* (New York: Dun and Bradstreet. 1936. Pp. 43.)

A supplement to the 1936 edition of *Behind the scenes in business.*

FOWLER, L. H. *An outline of financial analysis.* (Cleveland: Eaton Pub. Co. 1936. Pp. 84.)

GROSS, M. *Dealer display advertising.* (New York: Ronald. 1936. Pp. v, 182.)

HART, W. L. *Introduction to the mathematics of business.* (Boston: Heath. 1936. Pp. vii, 321.)

HECKERT, J. B. *Accounting systems: design and installation.* (New York: Ronald. 1936. Pp. xix, 514. $4.)

This is unique in its functional approach, involving a study of the general attack to be made on all system problems and studies of the several procedures, records and reports required in accounting for the ordinary functions of manufacture, sales, finance and administration. The author has succeeded in developing the most useful treatise to date on the subject of accounting systems and has attained a universality in application which cannot result from the more ordinary attack based on a discussion of the system problems of special industries.

There is an accompanying problem book.

WYMAN P. FISKE

HIMMELBLAU, D., and others, editors. *Investigations for financing.* (New York: Ronald. 1936. Pp. xviii, 75, loose-leaf. $6.)

HOSKINS, C., and others. *Influences bringing change in company policy.* Gen. manag. ser., G. M. 128. (New York: Am. Management Assoc. 1936. Pp. 31. 75c.)

KINLEY, D. *Government control on economic life, and other addresses.* (New York: Gregg Pub. Co. 1936. Pp. 431. $2.50.)

KREPS, T. J. *Business and government under the National Recovery Administration.* Am. Council papers, no. 1. (New York: Am. Council, Inst. of Pacific Relations. 1936. Pp. 46. 50c.)

KUVIN, L. *Private long-term debt and interest in the United States.* Stud. no. 230. (New York: Nat. Industrial Conf. Board. 1936. Pp. xiv, 138. $2.50.)

The most significant change between 1900 and 1930 in private long-term debt was the growth of non-farm mortgage debt as a percentage of all debt. In 1900 this constituted 22.9 per cent of the total as compared with 46.3 per cent in 1930. The bonded indebtedness of steam railroads declined from 37.8 per cent to 17.4 per cent. Public utility bonds outstanding constituted 8.5

per cent in 1900 and 15.3 per cent in 1930, and manufacturing and mining bonded indebtedness taken together, declined from 17.6 per cent to 8 per cent. Tables are given showing the changes in the gross amount of interest and also interest rates.

LAMER, M. *The development of foreign capital investments in the Balkans.* Internat. law and relations, vol. 6, no. 3. (Washington: Digest Press. 1936. Pp. 11.)

LATTY, E. R. *Subsidiaries and affiliated corporations.* (Chicago: Foundation Press. 1936. Pp. 256. $5.)

LAW, W. *Plan your own security.* (New York: McGraw-Hill. 1936. Pp. ix, 224. $2.)

A clear and useful exposition of the subject of investments, written for the layman. It treats of life insurance, making of a will, annuities, bonds, stocks, mortgage loans, investments in real estate, tax problems affecting investments, and the effect of inflation on a security plan. The author is a New York executive writing under a pseudonym.

LEARNED, E. P. *Problems in marketing.* (New York: McGraw-Hill. 1936. Pp. xx, 669. $4.)

A successor to the fourth revised edition of Professor Melvin T. Copeland's book of the same title.

LEWIS, E. A., compiler. *Commodity exchanges: cotton and grain futures acts, commodity exchange and warehouse acts and other laws relating thereto.* (Washington: Supt. Docs. 1936. Pp. 139. 10c.)

LIEFMANN-KEIL, E. *Organisierte Konjurrenz-Preisbildung: Grosshandelsversteigerung und Warenbörse.* (Leipzig: Hans Buske. 1936. Pp. 160. RM. 4.50.)

MACFARLAND, G. A. and AYARS, R. D. *Accounting fundamentals.* (New York: McGraw-Hill. 1936. Pp. xv, 667.)

MCKINSEY, J. O. *Organization problems under present conditions.* Gen. manag. ser., G. M. 127. (New York: Am. Management Assoc. 1936. Pp. 14. 50c.)

MACK, R. P. *Controlling retailers: a study of coöperation and control in retail trade with special reference to the NRA.* Stud. in hist., econ. and public law, no. 423. (New York: Columbia Univ. Press. 1936. Pp. 551. $4.50.)

MARPLE, R. P. *Capital surplus and corporate net worth.* (New York: Ronald. 1936. Pp. viii, 201. $3.)

MAY, G. O. *Twenty-five years of accounting responsibility, 1911-1936: essays and discussions.* Edited by BISHOP CARLETON HUNT. (New York: Am. Institute Pub. Co. 1936. Pp. xiii, 421. $3.)

This collection of the writings and words of George O. May is a major contribution to business and economic literature. Mr. May has been for 25 years senior partner of one of the leading accounting firms of this country. This alone has given him a peculiar opportunity to study developments in accounting and their effect upon the business structure, and gives his utterances a well-earned prestige. To this must be added his own preëminent personal qualifications, his judgment based on long experience, his depth and balance of analytical thought, and his leadership in improving the level of accounting standards. His influence has been wide and always constructive.

The editor has attempted a classification of the 66 items in the collection.

The book is in two volumes, bound as one. In volume 1 there are collected 20 items covering three major topics: the profession of accounting, depreciation, and valuation. Volume 2 includes one case of testimony on the valuation problem, and sections on regulation of securities, taxation, the influence of accounting on the development of an economy, and reviews and criticisms.

It must not be thought that this volume is of interest solely to technical accountants. It is the type of book to which business men, bankers, economists, and members of legislative bodies and other government officials may turn with the assurance of getting authoritative, sound information on points actually discussed and of sensing a soundly liberal point of view. From it non-accountants should acquire a greater respect for the accounting profession and accountants should receive an inspiration to higher professional standards.

WYMAN P. FISKE

MEYER, C. H. *The law of stockbrokers and stock exchanges.* Vol. II. *Being the cumulative supplement embracing decisions, statutes and exchange rules from the publication of the original volume to July 1, 1936.* (New York: Baker Voorhis. 1936. Pp. lvii, 438.)

MYERS, G. *History of the great American fortunes.* Rev. ed. (New York: Modern Library. 1936. Pp. 732. $1.10.)

NEWCOMB, R. *How the NRA worked.* Am. Council papers no. 2. (New York: Am. Council, Inst. of Pacific Relations. 1936. Pp. 34. 25c.)

NYSTROM, P. H. *Elements of retail selling.* (New York: Ronald. 1936. Pp. xi, 369. $2.40.)

The person who is engaged in retail selling should understand first of all the reasons why people buy merchandise, the psychology of displaying and selling merchandise, and methods of meeting customer objections. He must know what merchandise is in stock, how it is arranged, and what are the desirable features and the limitations of the goods. He should be able to suggest merchandise suited to the customer and to take part in the promotion plans of the store. He needs also to be familiar with store procedure for receiving merchandise, filling out sales tickets, and several other procedures. Sometimes sales people must meet emergencies in the store, such as the outbreak of a fire, fainting of people in the store, accidents, shoplifting, and counterfeit money. They also need to know how to care for store furnishings and equipment, rid the store of mice, cockroaches and other pests, and how to keep the store building clean and attractive.

Professor Nystrom's book, written for the sales person in the large retail store, covers all of these topics and contains a wealth of practical detailed information of value to the sales person. It suggests how he may judge his own fitness for selling, how to keep himself in good health, how to apply for a position, how to conduct himself during the interview, and what to do in getting adjusted to his new position. It also contains practical advice on business manners and how to get along with business associates and to adjust oneself to become a part of a large business organization. Much of the material in the book is of general application but should be of especial value to department or specialty store sales people. Teachers will appreciate the questions, practical assignments, and references which follow each chapter.

RICHARD N. OWENS

PIETTRE, A. *L'évolution des ententes industrielles en France depuis la crise.* Tome II. (Paris: Recueil Sirey. 1936. Pp. 239.)

The types and characteristics of the domestic production agreements, more recently featured by government initiation and enforcement, which have become prominent during the deflation period in France, are reviewed in this study. Prior to the depression French industries had participated chiefly in international cartels and pacts.

A first section (pp. 15-77) treats of voluntary agreements regarding production, sales, markets and prices. The metal industries, with their policies of arbitration and sales quotas (unaccompanied by any price control) are representative of a group attempting to cope with problems of over-production. Other methods of preventing accumulated stocks from disrupting markets were adopted by the coal, and several branches of the chemical industries. Another group in the voluntary agreement category attempted to cope with more basic problems of over-expanded plant capacity. Various textile industries appeared to have failed in what are described as curative remedies to curb excessive sales. They restricted plant productivity and denied to some production access to the market. The preventive steps, self-imposed by some producers, include limitations on new or improved machinery (not unlike our own NRA textile code provisions) and provided for factory elimination through collective purchase.

A second section (pp. 81-132) discusses a feature of recent economic developments which Professor Piettre interprets as the genesis of corporativism in his country. Measures, introduced by the Flandin government early in 1935, provide for enforcing on an entire industry pacts adopted by a majority of producers. The laws also grant to the government powers to impose production and sales conditions, by decree, on industries not reaching voluntary agreements. A government sponsored plan for the sugar industry which appears to have been successful, is described. Codes recently decreed for the shoe and highway transport industries are also explained.

Within the brief limits of the volume, half of which is occupied with the text of pacts, laws and decrees, little more than a classification of the many kinds of agreements can be presented. Knowledge of the structure, production methods, price, labor, foreign trade and other important factors for each industry, which is necessary for a better comprehension of the causes and implications of the agreements, is inadequately presented. Furthermore many of the developments are too recent to permit of any more searching analysis.

J. WILNER SUNDELSON

REED, C. A. and MORGAN, V. J. *Introduction to business.* New ed. (Boston: Allyn and Bacon. 1936. Pp. 570. $1.40.)

REITELL, C. E. and VAN SICKLE, C. *Accounting principles for engineers.* 2nd ed. Formerly published under the title of *Cost finding for engineers.* (New York: McGraw-Hill. 1936. Pp. 526. $4.)

RUSSELL, A. L. *Contract markets for commodities.* 6th printing. (New York: Russell's Commercial News. 1936. Pp. 120.)

SLOAN, L. H., and associates. *Two cycles of corporation profits: 1922-1933; 1934-19XX.* (New York: Harper. 1936. Pp. vii, 428. $4.50.)

The financial experiences and prospects of 135 industrial corporations constitute the basis of this study. Railroads and public utilities have been omitted

with a tentative promise that they will receive attention in a future treatise. Although some important enterprises with low earnings were included, it is the belief of those who prepared this volume that industry as a whole had a less fortunate experience during the latter part of the earlier cycle than was enjoyed by this entire group of 135 corporations. Cash dividends on the common stock of these favorably situated corporations, however, averaged only 5.6 per cent of the stockholders' invested capital throughout the 12-year period. In contrast the yield on high-grade bonds averaged nearly 4.5 per cent during the first 8 years of the cycle and 5.33 per cent during the remainder of it. It is not likely that common stockholders will get more on their invested capital throughout the current cycle than the yield on high-grade bonds during the period from 1922 to 1929.

A relatively stable price level with an expanding volume of output is conducive to profitable productive experience. From 1922 to 1929 prices increased only moderately but production expanded by 79 per cent and profits available for common stockholders were nearly doubled. From the high level of 1929 to February, 1933, however, commodity prices dropped by about 40 per cent, the volume of output declined by more than 50 per cent and the profits of the 135 corporations fell to less than zero.

All the chapters of the book, except the introductory and concluding chapters, conform to the same pattern. At the beginning is a brief analysis of an industry which is followed by a financial analysis and an opinion of the prospects of each of the significant corporations within the industry. There are over 100 full-page charts nearly all of which are devoted to a comparison of the year by year experience of some particular corporation with a year by year experience of the entire group of corporations from 1922 to 1935; in addition each chart shows the average annual income of stockholders of an individual corporation during the first cycle in comparison with the average annual return of stockholders of the whole list of corporations. In both cases the basis of comparison is the return on common stockholders' share of invested capital.

HOMER CHERRINGTON

TEELE, S. F. *Expenses and profits of limited price variety chains in 1935.* Bull. no. 103. (Boston: Harvard Univ. Bureau of Bus. Res. 1936. Pp. vi, 30. $1.)

VOJACEK, J. *Survey of the principal national patent systems.* (New York: Prentice-Hall. 1936. Pp. 227. $3.)

WALL, A. *How to evaluate financial statements.* (New York: Harper. 1936. Pp. x, 319. $4.)

Mr. Wall's *Ratio Analysis of Financial Statements* published in 1928 has been a standard work on credit analysis.

The present volume is in two parts, a statement of principles and a series of case analyses. The discussion of the objectives and methodology of statement analysis for credit purposes is clear and readable. The case reports are excellent. Throughout the book, however, there is an assumption (never mentioned) that the accounting principles and techniques which determine the figures being analyzed are sound. Although implied in spots, there is no discussion of the importance of cyclical economic and industrial factors as explanations of changes in statements. The emphasis on technique is almost certain

to cause too much dependence on procedures and too little on the judgment and experience of the analyst. This is often a failing of men of long experience trying to describe how they analyze; they forget or under-estimate the extent to which their own background influences their conclusions.

W. P. Fiske

Waterman, M. H. *Public utility financing, 1930-1935*. Michigan bus. stud. vol. vii, no. 4. (Ann Arbor: Univ. of Michigan. 1936. Pp. iv, 144. $1.)

In a stimulating and scholarly manner, the author observes a number of important financial trends for 1930-1935: (1) borrowing for expansion and current purposes had practically ceased; (2) debt had gained at the expense of equity financing; (3) secured issues were sought after by investors; (4) debt retirement, trust fund, and maintenance and renewal fund provisions were used as attempted additional modes of protection. The material indicative of such utility financial trends might well have been supplemented by resort to legislative sources instead of being limited to examination of company practices. There is a failure to stress the lack of permanency of such trends. Since 1935 there has been a tendency for these trends to reverse. No adequate picture can be obtained without noting also the higher quality of the 1935 and subsequent issues as well as the renewed activity of smaller companies.

Other trends observed are concerned with financing costs. The author finds there was a shift from banker to private sales of securities. Since 1935 this trend has reversed. Competitive bidding advantages are concluded doubtful in the utility field—a rather opinionated conclusion. Also, it is found that low interest rates are causing utilities to call their high coupon issues.

The author, solely on financial considerations, argues that there will be no *raison d'être* for the holding company if operating companies continue to become more independent. Servicing on a cost basis may still offer a sufficient justification.

The holding company diversification argument is questioned by concluding that geographical diversification is no defense against a general business cycle. Analysis of residual fluctuations is to the same effect. As an aid in choosing long-run investment possibilities, holding companies have some merit to the author, but they fail to meet completely the ideal of the investment trust in being limited to public utility investments.

The study is significant because utility financial policies and practices underwent the crucible test during the period covered.

Orba F. Traylor

Willcox, O. W. *Can industry govern itself? An account of ten directed economies*. (New York: Norton. 1936. Pp. 285. $2.75.)

This is a study of the experiments introduced by various countries since the World War to control the sugar industry by some system of prorating production and sales among the qualified members of the industry. The author describes the working philosophy of proration, gives an interesting brief discussion of the technical methods of sugar culture and processing, shows the collapse of sugar prices after the World War, and describes the failures of the

Chadbourne plan. Separate chapters are then given to proration in Australia, Brazil, The Argentine Republic, Czechoslovakia, Poland, Germany, Italy, France, Spain, and the United States. The schemes differ in detail, but the general idea is to control production and to maintain prices. In most of the countries the author believes proration has worked remarkably well. The New Dealers in the United States, however, only went half way; they did not fix the price of sugar.

The author points out the superiority of these controls which are based on social-economics to the operation of a system based on laissez-faire economics; where there is supersaturation, social-economic planning by some form of proration becomes necessary. Because of supersaturation in the production of many goods proration should be applied to other fields of economic activity. The controls should so far as possible be devised and administered by members of the industry. Government may have to play some part, but its part should be minimized because of the tendency toward bureaucracy.

The author says, "Proration in its simplest form is little more than a congelation of the *status quo,* with each man confirmed in the possession of what he then has" (p. 278). And again, "Every basic industry in which there is supersaturation in either goods, producing capacity, or labor, will be prorated and integrated, thus assuring to every producer his due place in the economic sun, from which he cannot be dislodged either by predatory individualism or by technological progress" (p. 274). Agreements for proration which freeze the existing arrangements of production may prove as bad as predatory individualism. Has not social-economics anything better to offer in exchange for a much maligned system of laissez-faire economics which actually is not in existence? In fact, have not the agreements for proration in one industry and in one country been important factors in forcing proration in other industries and in other countries, and thereby increasing economic disequilibrium and creating the appearance of supersaturation? But the author sees these schemes as leading almost to an economic Utopia. "Again and again we see them (sugar producers) coming together, agreeing to bury their economic hatchets and to exist side by side in amity, respecting one another's acquired status, willing to live and let live" (p. 267). One wonders if these hatchets will not destroy economic efficiency and will not be buried in the pocketbooks of the consumers.

EARL R. SIKES

WINAKOR, A. H. *Capacity to pay current debts.* Bull. no. 53. (Urbana: Univ. of Illinois Bureau of Bus. Res. 1936. Pp. 54.)

WOOLLEY, E. S. *How to obtain bank costs.* (Boston: Bankers Pub. Co. 1936. Pp. vi, 132.)

Address list of local code authorities under NRA, 1933-1935. Compiled for Joint Committee on Materials for Research by Federal Office of NRA. (Rochester, N.Y.: Assoc. of Research Libraries, Univ. of Rochester. 1936. Pp. 43. 50c.)

Accountants' index, fourth supplement: a bibliography of accounting literature, January, 1932–December, 1935 (inclusive). (New York: Am. Inst. of Accountants. 1936. Pp. 503.)

Boston conference on distribution, 1936: a national forum for problems of distribution. (Boston: Retail Trade Board, Boston Chamber of Commerce. 1936. Pp. 101. $3.50.)

Conference was held September 28-29, 1936.

Business education for everybody. Proceedings of the University of Chicago conference on business education, 1936. (Chicago: Univ. of Chicago Press. 1936. Pp. vii, 126.)

Federal Trade Commissions, rules, policy, and acts. (Washington: Federal Trade Commission. 1936. Pp. 71. 10c.)

Municipal accounting statements, August, 1936. Bull. no. 6. (Chicago: Nat. Committee on Municipal Accounting. 1936. Pp. vii, 156.)

National Association of Cost Accountants year book, 1936. Proceedings of the 17th internat. cost conference, Cincinnati, Ohio, June 22-25, 1936. (New York: Nat. Assoc. of Cost Accountants. 1936. Pp. iv, 329.)

A reading list on business administration. 3rd rev., June 1, 1936. (Hanover, N.H.: Tuck School of Admin. and Finance, Dartmouth Coll. 1936. Pp. vi, 62.)

Real estate statistics for Allegheny County, Pennsylvania: base book. (Pittsburgh: Univ. of Pittsburgh Bureau of Bus. Res. 1936. Pp. ix, 150.)

Survey of current business—1936 supplement. (Washington: Supt. Docs. 1936. Pp. 196. 35c.)

Twenty-five years of retailing, 1911-1936. (New York: Nat. Retail Dry Goods Assoc. 1936. Pp. 276.)

Uniform system of accounts prescribed for public utilities and licenses, subject to provisions of Federal Power act: approved June 16, 1936, effective January 1, 1937. (Washington: Federal Power Commission. 1936. Pp. 30. 40c.)

United States government financing during the fiscal year ending June 30, 1936, and other pertinent statistics. (New York: Salomon Bros. and Hutzler. 1936. Pp. 9.)

U. S. Supreme Court business law decisions, 1935-1936. Decisions handed down by the U. S. Supreme Court during the period of October 1935 to June 1936—known as the "October Term 1935"—on business subjects other than taxation. (Chicago: Commerce Clearing House. 1936. Pp. 159.)

"Presented herein are the full texts of such leading opinions handed down by the highest court of the land during the October Term 1935—the Supreme Court's 'fiscal year' running from October 1935 to June 1936." References to previous decisions are added.

What you may and may not do under the new price discrimination law—the Robinson-Patman act. (Washington: Kiplinger Washington Agency. 1936. Pp. 63. $7.50.)

Capital and Capitalistic Organization

NEW BOOKS

ALY, B., editor. *Electric utilities: the tenth annual debate handbook, 1936-1937.* Vol. I. (Columbia, Mo.: Lucas Bros. 1936. Pp. 220.)

CHESSA, F. *Caratteri dell'organizzazione capitalistica.* (Firenze: Poligrafica Universitaria. 1936. Pp. 27.)

CLEMINSON, R. C., editor. *The case against government ownership: a debate manual.* (Chicago: Harvey G. Gonden. Pp. 96.)

FALCK, E. *Economics of electric distribution: effects of reduced rates in TVA service areas.* Stat. bull. no. viii. (Chattanooga: Tennessee Valley Authority. 1936. Pp. 44.)

This is a governmental report on the effects of reduced rates in the first 12 distribution areas to be served by the TVA. "For municipalities the former rate was 6.6c per kwhr as compared with 2.9c under the TVA rate. For co-operatives the average rate was reduced from 5.9c per kwhr to 3.1c per kwhr" (p.7).

Lower rates lead to a greater use of power and a lowering of unit costs of distribution with savings to consumers. Although the effects of price changes on demand are declared not to be immediate, annual residential consumption in the TVA areas is found to be increasing at six times the typical rate for the country (p. 21). The future of the appliance market is considered bright.

The presentation of factual data to support these findings is marred by the absence of clean-cut analysis, one-third of the report consisting of tabulations of data. The title is perhaps a misnomer because there is little that rises to the level of economic discussion. The elementary data and diagrams will, however, be digestible for readers not interested in the abstract economics of reduced rates.

ORBA F. TRAYLOR

GARLAND, J. V. and PHILLIPS, C. F. *The crisis in electric utilities.* (New York: Wilson. 1936. Pp. 216. 90c.)

RANKIN, E. R., compiler. *Government ownership and operation of electric utilities: debate handbook.* Ext. bull., vol. 16, no. 2. (Chapel Hill: Univ. of North Carolina Press. 1936. Pp. 132. 50c.)

WILSON, G. L., HERRING, J. M. and EUTSLER, R. B. *Public utility industries.* (New York: McGraw-Hill. 1936. Pp. xiv, 412. $3.50.)

The purpose of this book, as stated in the preface, is "to present descriptive and factual data"; controversial issues are avoided on the ground that these can be better appreciated if the student first understands the factual data. The material is organized into 15 chapters, only 12 of which qualify as entirely descriptive or factual. Of these, three—motor, interurban electric railway and pipe line transportation—could more properly be dealt with in a general treatise on transportation. The chapter on urban rapid transit and the four chapters on communications are valuable as tending to bring within the general field these important but heretofore neglected branches of the public utility industries. The chapter on water supply is a distinct improvement over the cursory treatment ordinarily accorded this important utility.

The descriptive chapters are useful compilations of widely scattered material, but the treatment suffers by avoidance of fundamental issues such as monopoly, finance, regulation, management, public relations and ownership. This omission results in a one-sided presentation which obscures the existence and the nature of the public utility problem. It is unfortunate that the authors have chosen to avoid basic issues; their claim that students cannot grapple intelligently with fundamental issues, but should at first confine their attention to uncritical, descriptive material, is not in accord with the reviewer's experience.

The non-descriptive chapters—1, 2 and part of 15—are unsatisfactory. Chapter 1, on the characteristics of public utilities, consists largely of excerpts from Supreme Court decisions; the interpretative comments of the authors are confused and contradictory; there is a dearth of economic analysis; they finally declare that (p. 19) "where authoritative opinions differ so funda-

mentally it would be presumptuous for us to attempt to define precisely the public utility concept." Chapter 2, on the principles of rate making, attempts to rationalize the monopoly price tactics of private companies on the basis of "scientific" cost allocation—a theory no longer accepted by competent critics or utilized by private companies except for defense purposes; much of the theory and most of the illustrative material is drawn from the ten-year-old publications of the American Gas Association. In chapter 15, on combination and coördination, the authors, after describing the extent of consolidation, attempt a critical evaluation of the movement; their analysis, however, fails to disclose the underlying forces at work or the full social and economic consequences of this development. Here again, as in many previous instances, they fail to utilize the great body of critical literature available.

HORACE M. GRAY

Labor and Labor Organizations

The Negro Labor Unionist of New York: Problems and Conditions among Negroes in the Labor Unions in Manhattan, with Special Reference to the N.R.A. and Post-N.R.A. Situations. By CHARLES LIONEL FRANKLIN. Stud. in hist., econ. and public law no. 420. (New York: Columbia Univ. Press. 1936. Pp. 415. $3.75.)

The dismissal of negro workers as incidents of closed-shop contracts newly obtained by craft unions makes the practices of labor unions with regard to the admission of negroes a subject of particular significance at this time, when unions are acquiring a protected status under the government and seem to be on the way to becoming the dominant force in many industries. To the extent that opposition is met by negroes in trying to enter skilled and high-paid occupations, the antagonism forces them to remain in the more menial occupations, and has social as well as industrial significance. Thus, without a relaxation of the policy of the Railroad Brotherhoods, negroes may at most be station porters or Pullman porters, and yet never advance in status to conductors or engineers.

How general is such discrimination now? In spite of the large amount of material written within the past decade on the negro in industry, information in regard to actual practices of labor unions throughout the country has remained fragmentary. One real difficulty has been that few of the unions have tangible written evidence of their attitude toward negroes. When the national organizations have no concrete rulings, practice varies in accordance with the locality and the attitude of the local branch. It is for this reason that a study made in one area, to discover the exact situation as it exists in all of the unions there, is likely to achieve the best results. This is particularly true in the case of New York City, with its wide variety of occupations and unions.

The author originally began his research for a commission on labor rela-

tions appointed by Mayor La Guardia after the Harlem "riot" of March, 1935, and he has continued his studies independently in an investigation which seems to have taken into its scope every union in the Borough of Manhattan. He has consulted widely with labor union leaders, and examined the records of national and independent local unions. His reliance on sources of negro labor experience and his first-hand data make the book a valuable contribution to the subject.

The study points out that although unskilled negro labor suffered most under the N.R.A. because the enforcement of higher minimum rates and standard rates of pay operated against the usual reasons for employing negroes, certain benefits accrued from the standpoint of labor organization. It is the author's conclusion that "on the whole, the gains accruing to the negro working group under the N.R.A., especially those organized into unions, counter-balanced the incidental hardships, thereby allowing for decided improvement in conditions among the negro workers" (p. 129).

A selective analysis reveals the true situation, however. The following figures regarding the present status of negroes in unions are significant. In the unions of Manhattan coming within the scope of this survey there were, in 1935, roughly 425,000 members. Of these less than 40,000 or 9.3 per cent were negroes. This proportion represents a substantial improvement over the last estimate, made in 1928, of less than 3.8 per cent of the organized workers who were negroes. "On the other hand, negro membership in unions of the highly skilled workers is negligible, being less than one-half of one per cent in the paper manufacturing, publishing and printing industries, 1.6 per cent in the leather industries, 2.7 per cent in the building trades, etc." (p. 263).

The occupations in which there was no appreciable increase in the number of negro workers were those requiring apprenticeships and involving skill, such as painting, brick-laying, plumbing, plastering, printing, electrical work, upholstering, and so forth. The author concludes that "the trade unions themselves have been a major factor in preventing some competent, skilled negro workers from working at their trades and thereby qualifying for union membership" (p. 257).

The book is clearly and interestingly written, preserving a restrained and scholarly attitude which makes its factual material doubly useful.

HERMAN FELDMAN

Dartmouth College

The Railway Worker: A Study of the Employment and Unemployment Problems of the Canadian Railways. By G. M. ROUNTREE. (New York: Oxford Univ. Press. 1936. Pp. xx, 364. $3.00.)

The author of this work states that "perhaps the main justification for this study is the fact that the present and future of the railways is on every-

body's mind and lips. It is a subject which . . . is in fact so delicate that politicians touch on it very unwillingly and do their best to avoid over-definite statements of opinion or policy." A little later he says, "Nevertheless the day will come when some drastic action will be taken under the force of circumstances . . ." Consequently, he proceeds to show the situation so far as railway labor is concerned, since approximately two-thirds of the railway expenditures are involved in payments to labor.

The author has been in direct contact with the men in the various divisions of the railway service, and has obtained first-hand information from them and their union records and publications, as well as from the officials of the two Canadian railways. He has also drawn from United States materials when these would shed light upon the issues being considered.

After a full analysis of the various trade-union organizations—so full that very few of the public and even of those connected with the railways have any idea of their extent, their influence and their diversity—he shows the influence of these unions in the system of collective bargaining. Next, the seasonal conditions among the various classes of workers are elaborated, for it is the seasonal character of the work of the various classes that constitutes the crux of the unemployment situation. The effects of technical changes, such as changes in railway equipment, in terminal operation, etc., requiring fewer men in operation and repair work, together with the growth of motor transport requiring fewer men in the running trades, are discussed in detail. His conclusion at this point is that "in all probability the developments of the last decade along these lines are nothing beside what will take place in the next ten or twenty years, for there are many devices now in use in other countries the adoption of which in Canada awaits only increased traffic."

A complete study has been made of the wage rates, earnings and working conditions, as determined by the unions. Only two-thirds of the number of railway workers in 1920 are now in the service and few new men have been taken on during the depression. High wage rates have stimulated the introduction of labor-saving devices. Proposals for regularizing employment are outlined and the difficulties in the way of their acceptance are mentioned.

In his final chapter, the author shows that when the railways are not prosperous they cannot pay the high union wage rates, or if they do the number of employees will have to be seriously reduced. The wastes of duplicated service and mileage are disastrous, and a rationalization of our present railway network, "with much more drastic elimination of its most competitive and duplicatory features than has been achieved so far . . . is essential if the railways as a whole are to enjoy a more prosperous and stable relation of revenues to expenditures in the future. . . . Some form of unified administration must be worked out." This is the view which is taken by the

thinking men of the country who are not hidebound by politics or other special interests.

This volume shows much careful, impartial and competent research.

W. T. JACKMAN

University of Toronto

Unemployment Policy, with Special Reference to Australia. By E. RONALD WALKER. (Sydney: Angus and Robertson. 1936. Pp. xi, 258. 5s.)

Despite a flair for social experiments, the Australians are practical people, and their economists generally excel in simple exposition. This book illustrates these qualities. It avoids equally panacea-preaching and pundit-theorizing. Its author is a professor in the University of Sydney who already has standing as a teacher and writer. He has studied unemployment conditions and policies in Europe as a Research Fellow of the Rockefeller Foundation, and successfully combines the fruits of these investigations with Australian approaches and applications. Though he has written primarily for home readers what he has to say is of interest to Americans.

Professor Walker introduces his subject with the accepted classification of unemployment into intermittent or seasonal, structural including technological, and depression or cyclical. In this summary discussion he does not assume to develop many new ideas or suggestions, but he brings to the surface facts commonly overlooked. This sound if succinct factual basis is characteristic of the whole book. A second general chapter follows upon wage policy and unemployment. This contains more economic theory by way of allusion and application than any other section of the study. It also contains critical comment on the reasoning adduced to support certain Australian arbitration court decisions which will be read with interest in this country.

A third chapter containing a statistical and descriptive account of unemployment in the Commonwealth is followed by three chapters upon devices for shrinking the labor supply to labor demand, by shorter hours, and by a shorter working life attained by longer schooling and earlier retirement, and for redistributing the employment of women and children in fields socially useful but less competitive than at present with the work of men. Five chapters, upon public works and budgets, land settlement, coöperation, tariffs, and out-of-work insurance and relief complete the volume.

The author's observations and conclusions are advanced in a judicial spirit and impress the reviewer as exceptionally well advised. He thinks that Sweden has handled unemployment as well as any country. He often points a statement with citations from British or German experience. His references to the United States are well informed. Our C.C.C. receives his

commendation; but such contradictory agricultural measures as an attempt to reduce farm production through one agency while promoting such production by financing farm settlement through another agency strike him as "paradoxical."

The discussion of budget-balancing in connection with relief and public works expenditures, of the effect of tariff policies upon employment—though here conditions peculiar to Australia come into play—of labor immobilization under increasing official shepherding, and of kindred questions is interesting and stimulating. Professor Walker thinks clearly, and this clarity is reflected in his style. He has succeeded in the difficult task of writing a book that is both comprehensive and compact without presenting this matter in desiccated form.

VICTOR S. CLARK

Washington, D.C.

NEW BOOKS

BENEY, M. A. *Wages, hours, and employment in the United States, 1914-1936.* Stud. no. 229. (New York: Nat. Industrial Conf. Board. 1936. Pp. x, 197. $2.50.)

Average hourly and weekly earnings, and average hours of work from 1914 to June, 1936, are shown for each of 25 manufacturing industries. Wage earners are classified as unskilled male labor, semi-skilled and skilled male labor, and female labor. Trends of employment, total man-hours, and total payrolls since 1920 are also shown.

CHANG, D. *British methods of industrial peace: a study of democracy in relation to labor disputes.* (New York: Columbia Univ. Press. 1936. Pp. 332. $4.25.)

COMMONS, J. R. and ANDREWS, J. B. *Principles of labor legislation.* 4th rev. ed. (New York: Harper. 1936. Pp. xviii, 606. $3.25.)

DAVENPORT, D. H. and CROSTON, J. J. *Unemployment and prospects for reemployment in Massachusetts, with particular reference to manufacturing industries.* Stud. no. 15. (Boston: Harvard Univ. Bureau of Business Research. 1936. Pp. viii, 73. $1.)

DAVID, H. *The history of the Haymarket affair: a study in the American social-revolutionary and labor movements.* (New York: Farrar and Rinehart. 1936. Pp. xii, 579. $4.)

Dr. David has not only given a vivid account of the Haymarket incident, but also has traced its effects on the labor movement in America. According to Dr. David, the affair had an important bearing on American economic history. "It adversely affected not only the eight-hour movement but the entire labor movement" (p. 535). T. V. Powderly, the leader of the Knights of Labor, stated that "it did more injury to the good name of labor than all the strikes of that year and turned public sentiment against labor organizations. Samuel Gompers felt that the trade-union movement suffered for years through the unwisdom of the Chicago anarchists."

Yet, despite these authoritative statements, the author holds that "it is in a sense somewhat misleading to declare that the good name of labor suffered and that public sentiment was turned against labor organizations "because

of the Haymarket bomb" and that "the trade-union movement certainly was not checked as a result" (p. 536). He admits, however, that the hysteria and wave of reaction which followed the bomb-throwing resulted in anti-labor legislation and a strong anti-alien sentiment in the United States. Moreover, he vigorously combats the conclusions of the historians of the period, such as James Ford Rhodes and Ellis Paxson Oberholtzer, that "the punishment meted out to the anarchists was legally just." Contrary to this view, he maintains that the affair produced one of the blackest chapters in the history of American justice and was responsible for "America's first revolutionary martyrs."

A. M. SAKOLSKI

FOSTER, W. Z. *Unionizing steel.* (New York: Workers Lib. 1936. Pp. 46. 5c.)

FRANKLIN, C. L. *The negro labor unionist of New York.* Stud. in hist., econ. and public law, no. 420. (New York: Columbia Univ. Press. 1936. Pp. 415. $3.75.)

GAGLIARDO, D. *Labor legislation for Kansas coal mines.* Kansas stud. in bus. no. 17. (Lawrence: Univ. of Kansas. 1936. Pp. 49.)

In view of the declining importance of coal mining in Kansas since 1918, this pamphlet is, as the author states, largely of historical value. It is a somewhat prosaic account of the haphazard development of legislation regulating working conditions in Kansas coal mines, and a brief appraisal of the present status thereof.

Professor Gagliardo shows clearly the need for legislation of this kind, and traces briefly the specific laws regarding such matters as escape shafts, ventilation, machinery, explosives, sprinkling, mine rescue, and the duties of the mine inspector. Most interesting are the discussions of the attempts of coal-mine operators to prove the unconstitutionality of many of these laws. In spite of the fact that this legislation developed without apparent plan, the author feels that the present code of laws is "reasonably satisfactory." In a table he shows the cost of administration, which he does not regard as excessive.

The sketchy character of the study makes doubtful the fulfillment of Professor Gagliardo's hope that it will be of value "to those concerned with protective legislation in other states."

WALTER N. BRECKENRIDGE

HALL, W. S. *The Journeymen Barbers' International Union of America.* Stud. in hist. and pol. sci., ser. liv, no. 3. (Baltimore: Johns Hopkins Press. 1936. Pp. 121. $1.25.)

KRUSE, A. *Technischer Fortschritt und Arbeitslosigkeit.* (Munich: Duncker und Humblot. 1936. Pp. 82. RM. 3.80.)

KUCZYNSKI, J. *Labour conditions in Western Europe, 1820 to 1935.* (London: Lawrence and Wishart. 1937. Pp. vii, 118. 4s. 6d.)

MARJOLIN, R. *L'évolution du syndicalisme aux Etats-Unis de Washington à Roosevelt.* (Paris: Alcan. 1936. Pp. 256. 25 fr.)

The author of the book here reviewed was one of the "gradués" from 20 countries sent to Yale University by the Rockefeller Foundation to study American sociological methods. The book is an excellent summarization—chiefly from secondary sources—of the history of labor unionism in the United States. Chief reliance seems to have been placed on the writings of Hoxie, Perlman, E. C. Kirkland, Ware, Lorwin, Saposs, and the Hopkins and Columbia "studies."

Interested primarily in labor attitudes and labor's "social philosophy" Marjolin interprets the changes in structure and functions of labor organizations in America with the bias of a materialist. A short introduction is followed by part 1 in three chapters dealing with local trade unions, the first attempts at national organizations, and with the Knights of Labor.

Part 2 discusses "trade unionism pure and simple." The A. F. of L. supplanted the Knights of Labor because it seemed more able to contend against the growing concentration of industry and its domination by large banking and other financial interests.

Part 3 shows a Gompers dominated A. F. of L. during the war and tries to show labor's reaction to such "new problems" as the progressive *"radicalisation"* of some unions; prosperity and "l'offensive patronale"—chiefly employee representation and personnel administration. New problems mean new solutions.

The final part is the most interesting because the attitudes and judgments of the author crop out more frequently. He seems pleased with the volte-face with regard to legislative relief for labor's problems. Refusing, in his conclusion, to hazard many predictions, he nevertheless points out that the numerical strength of the unions grows less rapidly than does that of company unions. In spite of a New Deal lift, the A. F. of L. remains what it has been, "an association of skilled workers, at high wages, essentially conservative."

ALBERT T. HELBING

NEUMANN, F. *European trade unionism and politics*. Edited by CARL RAUSHENBUSH. (New York: League for Industrial Democracy. 1936. Pp. 61. 15c.)

ROWSE, A. L. *Mr. Keynes and the labour movement*. (London: Macmillan. 1936. Pp. x, 68. 2s. 6d.)

SEIDMAN, J. *A labor party for America?* (Katonah, N.Y.: Brookwood Labor Pubs. 1936. Pp. 36. 10c.)

SULLIVAN, E. D. *This labor union racket*. (New York: Hillman-Curl. 1936. Pp. 311. $2.)

TAYLER, W. L. *Federal states and labor treaties: relations of federal states to the International Labor Organization*. (New York: Author, 405 W. 117th St. 1935. Pp. 171. $2.)

The membership of the United States in the International Labor Organization of the League of Nations has raised the question of the extent to which a federal state can participate in the work of international labor legislation. A searching study of this question has been written by one who, as a fellow of the Carnegie Endowment for International Peace, has made an intensive investigation of the whole problem.

The monograph shows clearly that the power of federal member states in the International Labor Organization differs greatly. The governmental structures of Australia, Canada, Switzerland, Germany, Austria, Argentina, Brazil, Venezuela, Mexico, and the United States are examined. In the case of the United States "there is no question of the jurisdiction of the states over most labor matters." But it is equally true that the treaty-making power of the United States is "not limited to those subjects upon which Congress is, by the Constitution, authorized to legislate (and) it is now established that the power of Congress to enact legislation for the enforcement of treaties is broader than the ordinary legislative power conferred by the Constitution" (p. 148).

Unlike our American Constitution which grants specific powers to Congress and leaves the residuary power to the states, the British North America act reverses these powers in Canada. While it would seem, therefore, that Canada "would have less difficulty in ratifying international labor conventions, such, however, has not been the case" (p. 107).

Despite the difficulties of international legislation in the field of labor, accentuated as it is by the federal structure of important member states, Dr. Tayler concludes that "the International Labor Organization has played an increasingly important rôle since its establishment in 1919 as a permanent piece of the new international organization which arose out of the World War."

C. J. Ratzlaff

Teele, S. F. *Expenses and profits of limited price variety chains in 1935.* Bull. no. 103. (Boston: Harvard Univ. Bureau of Bus. Res. 1936. Pp. vi, 30. $1.)

Wolman, L. *Ebb and flow in trade unionism.* (New York: Nat. Bureau of Econ. Research. 1936. Pp. xviii, 251. $2.50.)

Absorption of the unemployed into industry: discussions between the Minister of Labour and representatives of certain industries. (London: H. M. Stationery Office. New York: British Library of Information. 1936. Pp. 10. 2d.)

Brief report on the maritime work of the organisation, 1929-1936. 21st (maritime) sess. (Geneva: Internat. Labour Office. 1936. Pp. 46.)

Child labor facts, 1937. (New York: Nat. Child Labor Committee. 1936. Pp. 31.)

Collective agreements. Stud. and rep., ser. A. (industrial relations), no. 39. (Geneva: International Labour Office. 1936. Pp. viii, 286. $1.50.)

Compilation of laws relating to mediation, conciliation, and arbitration between employers and employees, laws disputes between carriers and employers and subordinate officials, under Labor Board, eight-hour laws, employers' liability laws, labor and child labor laws. (Washington: Supt. Docs. 1936. Pp. 297. 20c.)

Dominion of Canada: report of the Department of Labour for the fiscal year ending March 31, 1936. (Ottawa: H. M. Stationery Office. 1936. Pp. 99. 25c.)

I am a woman worker: a scrapbook of autobiographies. (New York: Affiliated Schools for Workers. 1936. 50c.)

The I. L. O. year-book, 1935-36. 6th year of issue. (Geneva: International Labour Office. 1936. Pp. vii, 571. $2.75.)

The Labour Party: report of the thirty-sixth annual conference, Edinburgh, 1936. (London: Labour Party. 1936. Pp. 317. 1s. 5d.)

National Mediation Board: second annual report, including the report of the National Railroad Adjustment Board, for the fiscal year ended June 30, 1936. (Washington: Supt. Docs. 1936. Pp. v, 46. 10c.)

Re-adjustment in Lancashire. By members of the Economics Research Section, University of Manchester. (Manchester: Manchester Univ. Press. 1936. Pp. 137. 4s. 6d.)

Studies of unemployment. Ext. ser., vol. xii, no. 1. (Knoxville: Univ. of Tennessee, Div. of Univ. Extension. 1936. Pp. 32.)

Money, Prices, Credit and Banking

Exchange Depreciation: Its Theory and Its History, 1931-35, with Some Consideration of Related Domestic Policies. By S. E. Harris. (Cambridge: Harvard Univ. Press. 1936. Pp. xxix, 516. $5.00.)

A more intensive tillage of an economic plot than this productive study is not often found. Professor Harris covers his ground thoroughly with the assistance of three different methods of scientific cultivation, each of which yields distinctive and substantial results. He not only analyzes exchange depreciation theoretically, in its setting of 1931-35, to discern the probable resultant changes in prices and international trade, and confirms his deductions with an abundance of refined statistics, drawn from the experience of gold, exchange control and paper countries; but he strives in addition for the full historical truth in a lengthy review of the American and British episodes, with particular attention to policies intended to supplement depreciation as a means of influencing prices. His running commentary on nearly the whole of relevant opinion contributes to the book's tone of scholarly authority.

General remarks about this work, the essential perfection of which lies in its elaboration of qualified judgments, are rather inappropriate, and any summary of its well-knit argument must seem a very bare thread indeed. Professor Harris states that, though prices in an isolated country practising depreciation may move upward, a general resort to the method generates forces that find escape more through a downward pressure on world prices than through the lifting of internal levels. The price reactions of any single export commodity are conditioned by many factors, the more influential being the elasticity of demand and supply in domestic and foreign markets, the division of trade between these markets, the prevalence of monopoly or competition, and the number of countries off gold. The behavior of the entirety of a nation's exports is subject to the additional complication of the balance of payments.

In his attack on the difficult problem of the gains won by the countries that have committed depreciation, Professor Harris shows that during the years considered paper countries captured an increased percentage of the total sales to gold nations, as the former profited from the competitive advantages inherent in lagging price adjustments, but that the principal growth in their business was in sales within their own group. This rise in the trade among paper countries was a result, he concludes, of increased national incomes, directly or indirectly brought about by the policy of depreciation. Since these swelling incomes can be accounted for only in part as products of more favorable domestic price-cost relationships, they must be attributed more to the supplementary policies introduced under the protection of depreciation than to the movement of the exchanges themselves. Such common auxiliaries as lower money rates and public spending do more than contribute to a rise in incomes; they lead to a rise in prices that eventually counteracts the initial deflationary effects of depreciation on world prices.

When he examines the companions of devaluation in the price ma-

nipulations attempted by the United States—the agricultural programs, the N.R.A., the several inflationary schemes and Treasury spending—Professor Harris unavoidably permits the accessories to usurp the rôle of the principal. He agrees with the general opinion that these methods of governmental price policy, together with low money rates, owe little to depreciation unless a critical difficulty in balancing international payments exists or gold reserves are depleted. Otherwise they can work practically alone. And as "it is not clear that the state of the balance of payments (of the United States) made depreciation imperative," the adjuncts of devaluation must be given nearly all of the American price-lifting honors except in the case of a few commodities, such as cotton, which were influenced greatly by the movements of foreign exchange. If "the justification of the American policy lay in the domestic, not in the international, situation" the devalued dollar appears to have done little to gain its own salvation.

The book as a whole is cautious, circumspect, but never evasive; it makes a better case for depreciation than many will support, but it is not dogmatic in its conclusions and is refreshingly impartial when dealing with issues that have been tainted by politics. Frankly an examination of the short run, it fits its conclusions to the period investigated, admits that the future may reverse the facts of the present and promises no invariable gains from depreciation if attempted again on a universal scale. Unfortunately, the very plan of the study, and the author's habit of viewing a topic from numerous angles as he slowly moves about it, create the impression of much repetition, similar to skillful variations on a musical theme. But this characteristic is not easily avoided when exactness is sought.

K. M. ARNDT

University of Nebraska

The Monetary Problem: Gold and Silver. Edited by RALPH ROBEY. (New York: Columbia Univ. Press. 1936. Pp. xxviii, 369. $3.50.)

The Monetary Problem is a reprint of the *Final Report* of the Royal Commission, appointed to inquire into the problem of gold and silver, presented to the British Parliament in 1888. This classic, which has long been out of print, has been made available for the use of present-day students and public officials by the Carnegie Endowment for International Peace.

A twenty-page introduction by Mr. Ralph Robey gives a summary of the history of the development of monetary and credit policies in England from 1810, the year the Report of the Bullion Committee was presented, to the time when the Royal Commission was appointed. From the resumption of specie payments in 1821 until 1873, when the general price level started downward and the relatively stable ratio between gold and silver was disrupted, attention of British economists and government leaders

had been centered upon the regulation of bank credit. Falling prices and instability of rates of exchange upon silver using countries, especially India, were the fundamental reasons why monetary issues assumed a paramount position in the seventies and eighties. After years of general discussion the Royal Commission composed of twelve men of diverse views was created. Mr. Robey's introduction includes a brief statement of the personnel of the Royal Commission, the procedure followed by the Commission in making the investigation, and a summary of its findings.

The *Final Report* consists of three main parts and supplementary notes by individual members of the Commission. Part 1, signed by all twelve members of the Commission, is essentially a summary of evidence presented and conclusions reached upon which the Commission was in agreement. A large number of eminent economists, political leaders, business men, and bankers testified before the Commission. Their testimony is not given individually, however, as is customary in hearings before congressional committees in the United States. Instead, the Commission brought together all of the arguments upon each point developed by the hearings, in many cases giving counter-arguments also. The Commission did not undertake ordinarily to indicate the views of the witnesses called or to set forth which of the proposed remedies they favored. An exception to this general practice was the recognition, as such, of Professor Alfred Marshall's suggestion to use "linked bars"—redemption of paper currency in bars of gold and silver in definite proportion.

In addition to a presentation of facts and arguments Part 1 includes a consideration of proposed remedies, most prominent of which was international bimetallism. It is noteworthy that the members of the Commission were unanimous in their opinion that if bimetallism was to be adopted it must be on an international basis. Two types of symmetallism (not so called) were proposed: (1) coins made of an amalgam of gold and silver; and (2) the "linked bars" advocated by Professor Marshall. It was also suggested that England might follow the practice of the United States, Holland and the Latin Union of using silver coins as unlimited legal tender without restoring free coinage of silver.

The Commission as a whole did not agree as to what was the best course for England to pursue. Upon the issue as to whether the relative change in the value of gold was due to a depreciation of silver or an appreciation of gold, they also reached divergent conclusions. Because of these differences it appeared to them desirable to present their opinions in separate documents, parts 2 and 3 of the report. The Commission was exactly evenly divided in the support of these parts; but, since the chairman was one of the signers of part 2, it is regarded as the majority report. The six members who signed the so-called majority report recommended the continuance

of the existing gold standard, whereas the signers of part 3 supported a program of international bimetallism.

The *Final Report* is of value, not simply as a historical document, but also because of the light it gives for the solution of present day monetary problems. It shows that the silver controversy of the last third of the nineteenth century played a conspicuous rôle in England where the gold standard had been firmly entrenched for half a century. Many of the issues set forth in the report have a distinctly modern ring. It is worth while, in these years when economic nationalism in the realm of money has so dominated world policy, to know that the experts of half a century ago recognized that our monetary problems are international.

H. H. PRESTON

University of Washington

NEW BOOKS

BEUTEL, F. K. *Materials and cases on interpretation of the law of negotiable paper, with a supplement containing the uniform and other acts affecting negotiable paper bound separately.* (Rochester, N.Y.: Lawyers Coöp. Pub. Co. 1936. Pp. xv, 786.)

————. *Uniform statutes affecting negotiable paper.* A supplement to *Materials and cases on negotiable paper.* (Rochester, N.Y.: Lawyers Coöp. Pub. Co. 1936. Pp. 138.)

BLUMBERG, H. *Successful credit store operation: a practical manual for instalment operators and executives.* (New York: Harper. 1936. Pp. xiv, 259.)

BOGEN, J. I., FOSTER, M. B., NADLER, M., and RODGERS, R. *Money and banking.* (New York: Prentice-Hall. 1936. Pp. xiv, 704. Trade, $5; school, $4.)

This volume was written as a textbook for college classes in money, credit and banking. The authors seek to define the fundamentals of their topics first, and then illustrate by historical and practical data. By this method they have succeeded in developing an interesting and valuable textbook. Review questions, problems and a short bibliography are placed at the end of each chapter.

The first three chapters, written by Mr. Foster, deal with the nature of money, credit, monetary standards and the evolution of money in the United States. The author separates money of general acceptability from the all-important commercial bank deposits of limited acceptability. He contends we are now operating on a "highly restricted gold bullion standard" (p. 82) basis, with the final control in the hands of the Chief Executive, instead of the banks. "Experience with so-called 'controlled' systems is yet too limited to demonstrate whether they may or may not turn out to be controllable" (p. 83).

The next 14 chapters explain the evolution of the commercial banking principle, the development of commercial banking in the United States, and the practical organization and operation of a commercial bank. All four authors contribute chapters to this division.

In the chapter on bank notes and deposits, Mr. Foster comments pointedly on the historical failure of sound elastic bank credit. "Adequate elasticity is a quality of note issue that is sorely needed. It cannot be achieved under the 'currency' plan. Nor can it be attained, with safety, under the 'banking' plan until sound means of credit control have been devised and made effective . . .

the same principles apply with equal force to deposits and checks" (p. 293). Mr. Rodgers dwells on the speculative nature of American bankers and the public necessity of thorough bank examinations. The powers of the Federal Reserve Board to control bank credit are outlined in chapter 17, by Dr. Nadler. The latter also gives an interesting explanation of the American money market, and in further chapters describes briefly the banking systems of England, France, Germany, Holland and Canada; he also contributes chapters on foreign exchange and the financing of foreign trade.

The importance and different forms of consumption credits are reviewed by Dr. Bogen in chapter 24; and this is followed by chapters on various forms of investment banking, including savings banks, farm and urban mortgage banking, and the fiduciary services of banks and trust companies.

The last two chapters are devoted respectively to the relation of money, credit and prices, and to recent banking trends. The various factors that increase or decrease the volume of money and their relation to prices are carefully analyzed by Mr. Nadler. He concludes that "it is highly doubtful whether central banks are in a position to regulate the volume of credit and currency in such a manner as to influence the level of prices" (p. 653). Furthermore, he finds that domestic prices are not greatly influenced by devaluations of the currency or changes in the gold content of the dollar.

In the final chapter, Mr. Bogen shows that our banking system "is no longer automatically self regulatory" (p. 680), based on commercial assets, but we are approaching a "100 per cent reserve banking system" based on "government bonds and cash equal to 100 per cent of demand deposits" (p. 680).

The principal criticism of this volume lies in its organization. A division of the book into separate logical parts would improve it. The authors have made use of recent literature; and on the whole, the volume is a valuable addition to the textbooks in this field.

E. S. Sparks

Burgess, W. R. *The reserve banks and the money market.* Rev. ed. (New York: Harper. 1936. Pp. xxv, 342. $3.)

The first edition of this book has for a number of years been one of the most useful tools of instructors in banking. Its lucid style and straightforward exposition have put to shame the ponderous and confusing explanations of federal reserve structure and policies put forth for students' use by brother instructors. Its value to laymen has also been frequently attested.

A thorough revision adds to its already high reputation. Somewhat more of an appraising, if not critical, tone is quite noticeable in the added and revised portions. The author has increased in stature during the nine-year interval between editions, and is now recognized as a leading member of the reserve system official family. Several new chapters have been added. One on the reserve banks as lenders appears early in the discussion, and stresses the fundamental relations of the banks to their members, and the resulting powers over security loans of a speculative character. An entire new chapter on supervision describes unfavorably the overlapping ("overlapping powers are likely to create confusion and irritation"—p. 139) of the system's examining powers with those of other federal and state agencies. Obviously necessary has been the addition of a survey of recent actions to influence monetary conditions; hindsight on wise banking policy has much more—or less!—within its ken than in 1927. This chapter will be particularly useful to the beginning student.

Finally, there is a discussion of the potential value of the various guides to credit policy which have been so lustily advocated in the late years of the boom and throughout the depression.

All the other chapters have been refurbished to shift the emphasis to recent developments and to include many references to the sad record of bank failures and the weaknesses of the American banking system. A note of pessimism about the future, as well as the past, is recurrent, and more frequent forthright critical remarks about legislation and banking control policies are encountered. One of the chapters in the original edition—the well-known discussion of the "gold paradox"—has disappeared, as a part of the necessary reduction of space given to pre-1929 events. One outstanding virtue of the original work is again to be praised: nearly all the chapters are so constructed and written, including summaries at the close of each, that they may be assigned to students without necessary reference to earlier portions.

SHAW LIVERMORE

CANTWELL, T. W., editor. *The banking law of the State of New York, constituting chapter 2 of the consolidated laws, chapter 369, laws of 1914, including all amendments to the close of the regular session of the 1936 legislature.* (Albany: J. B. Lyon Co. 1936. Pp. 454.)

CHADBOURNE, W. W. *A history of banking in Maine, 1799-1930.* 2nd ser., no. 37. (Orono: Univ. of Maine Lib. 1936. Pp. 220. $1.50.)

DOWRIE, G. W. *Money and banking.* (New York: Wiley. 1936. Pp. viii, 512. $3.25.)

Textbooks on money and banking are, of necessity, similar to one another in many respects; but Professor Dowrie has succeeded in approaching his task in a fashion somewhat different from that of most of his predecessors. The first 7 chapters contain a discussion of money and monetary systems, in which the historical and descriptive elements predominate; the next 14 chapters, which deal with commercial and central banking, give a good deal of space to the discussion of foreign experience in order to present a greater variety of material to the student and assist him in his appraisal of American institutions. Following this, which constitutes the backbone of the volume, are 4 chapters dealing in very brief compass with the various non-commercial banking institutions; and, in conclusion, 4 chapters take up critically the relationship of government to banking and the developments of monetary policy in the United States during recent years.

The outstanding characteristics of the book are to be found in the historical background of present problems and in the excellent presentation of foreign experience in regard to these problems. Professor Dowrie has succeeded admirably in discussing both in small compass. To some extent, however, this method of approach has necessarily restricted the space available for theoretical discussion, and some sections of the book thus appear unduly dogmatic and unrelated to one another. Since few students are able to remember the skeletal details of any complicated structure (and there are few structures more complicated than our present financial system) unless they see the way in which the structure works and the reasons for its operation, it is to be hoped that when a new edition is prepared Professor Dowrie will expand this aspect of his

treatment, perhaps by eliminating or condensing the summaries at the end of each chapter, which seem unnecessarily long in many cases.

F. CYRIL JAMES

EYRAUD, H. *Sclérose économique et réforme monétaire.* (Paris: Recueil Sirey. 1936. Pp. 176.)

For "economic sclerosis" read "deflation," and for "monetary reform," "devaluation.' The former, according to the author, constitutes the chief ailment of modern civilization, the latter provides a specific remedy. This remedy, it may be noted, is by no means to be taken in homeopathic doses, for M. Eyraud regards the 1934 devaluation of the dollar as insufficient by half. Under certain conditions, as in France today, devaluationists occupy a strong position; such intemperate and uncritical argument as we meet in the pages of this book hinder rather than help their case.

Diagnosis of the disease, moreover, appears to the author quite as simple as prescription of the medicine. From the symptom of falling prices, the conclusion is reached that depression and deflation are purely monetary in nature. But depressions—in fact, business cycles in their entirety—are not merely regarded as completely monetary phenomena: this characterization is limited to the narrowest possible meaning of the term "monetary." A review of cycles and crises from the earliest times (an intensive study requiring all of 20 pages) leaves no doubt in the author's mind that a dearth of money was at the bottom of them all.

If the treatment of the business cycle, to which two-thirds of the text (chapter 2) is devoted, seems somewhat superficial, let it be noted that the other third (chapter 1) deals successively, in sections of two to three pages each, with such subjects as exchange, value, civilization, money, population, interest.

P. T. ELLSWORTH

EINZIG, P. *Monetary reform in theory and practice.* (London: Paul, Trench, Trubner. 1936. Pp. xvi, 343.)

FOSTER, L. B. R. *Credit for consumers.* Public affairs pamph. no. 5. (Washington: Public Affairs Committee. 1936. Pp. 31. 10c.)

GRAHAM, F. D. and SEAVER, C. H. *Money: what it is and what it does.* (New York: Newson. 1936. Pp. 158. 80c.)

GRISWOLD, J. A. *A history of the Federal Reserve Bank of Chicago.* (St. Louis: Author, 3674 Lindell Blvd. 1936. Pp. 247. $3.)

GROVER, E. L. *What is money?* (Boston: Meador. 1936. Pp. 27. 50c.)

HARR, L. and HARRIS, W. C. *Banking theory and practice.* 2nd ed. (New York: McGraw-Hill. 1936. Pp. xi, 616. $4.)

HAVAS, F. VON. *Grundgedanken zu einer Theorie der störungsfreien Geldschöpfung.* (Jena: Fischer. 1936. Pp. vii, 120. RM. 6.)

HUBBARD, L. E. *Soviet money and finance.* (New York: Macmillan. 1936. Pp. xix, 339. $4.50.)

This book is described on its jacket as "the first fully detailed and scientific account of soviet finance that has appeared." The author, although sceptical as to whether the soviet system will not "fall just as short of perfection as capitalism" (p. 288), concludes, nevertheless, that "it is fairly certain that

the average standard of living in Russia will gradually and steadily improve" (p. 297). By virtually every other criterion, the book, although unbiased, fails to qualify as a "scientific" performance.

It is, for one thing, almost entirely undocumented. The reviewer has found only eight references to the sources of such statistical data as are presented, and of these references three are to non-soviet sources. There is evidence also of missed opportunities. For example:

The author tells us categorically that "it is merely fatuous to try to symbolize the value of the paper rouble in terms of any other currency" (p. 131) —the implication being that this is true in a sense in which it would not be true of, say, the pound sterling. Yet he not only states, at one point, that "it is probably near the mark if we take it that a rouble in retail trade in 1935 brought not more than half what it bought in 1930" (p. 203), but actually offers, in an appendix, a crude calculation purporting to represent "the purchasing power of the rouble in retail trade" (p. 331), including data on soviet wages. It is, obviously, the rouble end of the comparison that gives rise to the difficulty of "symbolizing the value of the paper rouble in terms of any other currency." Given the calculation of the purchasing power of the rouble, there should be no more difficulty in "symbolizing the value of the paper rouble" in terms of dollars, say, than there is in "symbolizing the value of the pound" in terms of dollars.

In the absence of detailed studies of the kind promised by the device of the jacket, but merely hinted at in the very small amount of statistical material presented, what is left is a discussion, very largely *in abstracto,* of the differences in the functioning of socialist and capitalist societies.

Unfortunately, the author's understanding of what has been written on this broader subject is obviously as limited as his understanding of the more advanced branches of monetary theory. The most that can be said for the resulting performance is that it presents sketchy descriptions of institutions and practices which may serve as the starting point for later writers better equipped theoretically and readier to devote the time and patience necessary for the production of a really "detailed and scientific account of soviet finance."

ARTHUR W. MARGET

LARSON, H. M. *Jay Cooke, private banker.* (Cambridge: Harvard Univ. Press. 1936. Pp. xvii, 512. $5.)

MILLS, F. C. *Prices in recession and recovery: a survey of recent changes.* (New York: Nat. Bureau of Econ. Research in coöp. with Committee on Recent Econ. Changes. 1936. Pp. xv, 581. $4.)

MYERS, M. G. *Paris as a financial center.* (New York: Columbia Univ. Press. 1936. Pp. xii, 192. $3.)

Books in English dealing with French financial institutions are not numerous and so another—and an up-to-date one—is welcome, even if it is not as thorough a study as one might wish. To explain the French money and capital markets the author deals chiefly with the principal financial institutions, the Bank of France, the *Caisse des Dépôts et Consignations,* the Treasury, and the major banks. Their functions are explained clearly.

The reasons why Paris has not developed into a really great financial center are discussed at length and believed to be chiefly difficulties of a practical nature: The banks in Paris are scattered over the city, they are

jealous and unwilling to coöperate with one another and, particularly, with the Bank of France; legal complications make the development of call loans almost impossible, and the leadership of the money market is divided among three institutions, the Bank of France, the *Caisse des Dépôts,* and the Treasury, which sometimes work at cross purposes. The extent to which this latter fact has weakened the control of the Bank of France is brought out very clearly.

A useful analysis of the items appearing in the balance sheet of the Banque de France and the usual items in the rather unsatisfactory balance sheets of the commercial banks is given in the chapters dealing with these institutions.

The book is much more descriptive than analytical. What analysis there is follows chiefly along the lines of the commercial theory of bank credit in spite of the fact that at one point the author admits some of its weaknesses.

FRANCIS A. LINVILLE

NEIFELD, M. R. *Coöperative consumer credit, with special reference to credit unions.* (New York: Harper. 1936. Pp. x, 223. $2.50.)

This book, written by the statistician of one of the major chains of small-loan companies, might be called the "deflation of the exaggerated claims made in behalf of credit unions." Dr. Neifeld shows how, approximately a quarter of a century ago, three new credit agencies emerged to meet the needs of a highly industrialized and specialized population. Small-loan companies, Morris plan banks and credit unions all reflected in their respective origins the new needs. It is in the light of this quarter-century of experience that the author appraises the work of the credit union and concludes that, granting all that can be claimed for this type of credit agency, it leaves much to be desired—and presumably a place that must be taken by a different sort of lending agency.

Neifeld gives a readable account of the beginning of credit unions in the western hemisphere with a small beginning in Canada in 1900, the subsequent development in the United States, and especially in Massachusetts, as a reflection of subsidized propaganda, and the passage in 1934 of a congressional act for the formation of credit unions under charter and guidance of the federal government. Notwithstanding all the encouragement, private and public, he concludes that "there will have to be a twenty-five fold increase in credit unions before the invitation can include all borrowers" (p. 96). He further finds that there is real danger of a multiplicity of controls by state and federal governments (p. 85). The credit union is best suited, he avers, to the agricultural region which cannot support a commercial bank and where a clearing house is needed to facilitate savings (p. 168).

The major claims put forward for the credit union—namely, the ability to displace other lending agencies, infallibility in credit-union lending, and lending at favorable rates, Dr. Neifeld examines by reference to the record and concludes that the major claims are not sustained.

CLYDE OLIN FISHER

PALYI, M. *Liquidity.* (Minneapolis: Minnesota Bankers Assoc. 1936. Pp. 22.)

SAYERS, R. S. *Bank of England operations, 1890-1914.* (London: P. S. King. 1936. Pp. 142. 6s.)

STURGES, W. A. *Cases and materials on the law of credit transactions.* 2nd ed. (St. Paul: West Pub. Co. 1936. Pp. xiii, 1082.)

SULLIVAN, L. *Prelude to panic.* (Washington: Statesman Press. 1936. Pp. 133. $3.)

THOMAS, B. *Monetary policy and crises: a study of Swedish experience.* (London: Routledge. 1936. Pp. xxii, 247. 7s. 6d.)

This study of recent Swedish economic policies will prove no more encouraging than Kjellstrom's little book as justification for mechanical policies of price stabilization. The recent stability of consumer price levels in Sweden is shown by the author to be very largely a fortuitous result of policies aimed at business recovery. Indeed the primary aim of the government's plans since 1933 has been to secure a revival of investment; and to that end steps have been taken to *raise* deliberately the level of wholesale prices.

So far as the experience of Sweden has any importance for the contemporary problems of the United States, it is in regard to the theory of "priming the pump" to accelerate business revival. On this problem the author is very specific. "The example of Sweden indicates that a slump can be shortened and a recovery accelerated when the government and the central bank coöperate to diminish uncertainty and to furnish the conditions necessary for a revival of investment" (p. 238-9). Public works programs and cheap money policies are admitted as desirable for such a purpose, but the author deliberately calls attention to the fact that their results in a large country like the United States will not be the same as those achieved by a small nation like Sweden. Moreover, in accepting this limited support of current American policies, it is well to remember that the author starts out by assuming that an international gold standard is highly undesirable and that governmental interference in business activity is essential in the modern world. It is upon these assumptions that much of the argument depends.

Mr. Thomas's study is not, however, a mere attempt to analyze the extent to which Swedish experience in coming out of the depression is applicable to the problems of other countries. He undertakes a comprehensive description of the economic development of Sweden since 1914 through all the problems of the war and post-war period in order to show that recent policies are logically related to those that preceded them. And to economists, perhaps, one of the most interesting parts of the book will be an excellent chapter on Swedish monetary theory, about which little has been written in English, and the short summary of the Swedish Bank act of 1933 (which imposes upon the banking system of that country regulations almost identical to those set forth in the New Deal legislation of the United States).

The only criticism of this excellent little volume is that it includes too much in a short space. There is ample scope here for two larger studies, one of monetary and economic theory and the other a more detailed exposition of Swedish policies, and it is to be hoped that the author's real interest in Swedish affairs will encourage him to undertake them for the benefit of those many economists to whom much of Swedish literature is a closed book.

F. CYRIL JAMES

TILDEN, F. *A world in debt.* (New York: Funk and Wagnalls. 1936. Pp. 348. $2.50.)

Mr. Tilden has little respect for modern economists. He professes to have studied their writings diligently for an adequate explanation of the phe-

nomenon of recurring booms and depressions, but found that he might as well have consulted "the Great Pyramid." When, as the result of his own investigations, he found the key to the mystery, it proved to be astonishingly simple. "There is one cause and only one cause," he proclaims, "of all panics and depressions in the economic world. That cause is debt" (p. 49).

Not only have the economists failed to reveal to the world this "obvious" truth; they have also deceived the common man as to the pernicious nature of debt by euphemistically styling it "credit." To crown their shortcomings, they have left virtually unexplored "the vast significance of abstract debt in the whole web of economic relations, its long-term consequences, its remoter reactions upon the individual and upon society as related to the production and distribution of wealth, its part in the unexplained rise and fall of nations and empires" (p. 29). This "uncharted" terrain Mr. Tilden essays to map. His purpose, as he defines it, is "to trace the natural history of debt from its beginning to its present highly organized state, and to explore those consequences of the phenomenon which reveal it as a cause of economic and social disease" (p. 30). His course takes him from the ancient world to the New Deal. He contrasts unfavorably Roman austerity in matters of contract with the looser practices of these unregenerate days; he delves a little into usury laws and their consequences; and he brings together a miscellany of notes about kings and governments who failed to pay their debts, and kindred matters.

Mr. Tilden appears to be at home in literature and the law; he writes with distinction and even brilliance; while he embellishes his chapters with apt quotations from the classics and from many pre-Victorian authors. The tone of the book is, however, cheapened by diatribes against the economists. His invectives we may disregard; what we can less readily overlook is his pretension that the familiar facts he has strung together under a high-sounding title constitute an original study of the pathology of debt.

William H. Wynne

Tonks, W. *Confusion among banks: a compilation of clippings from publications and running comments pertaining primarily to Cleveland, Ohio.* (Baltimore: Waverly Press. 1936. Pp. 167. $1.)

Tresckow, W. von. *Merchants of debt: a study in the changing character of American banking and its effect on securities.* (New York: Young and Ottley. 1936. Pp. 54. 45c.)

Vineberg, P. F. *The French franc and the gold standard, 1926-1936.* (Montreal: McGill Univ. 1936. Pp. 95. 55c.)

Weissman, R. L. *The new federal reserve system: the Board assumes control.* (New York: Harper. 1936. Pp. xii, 301. $3.)

This book, by the former financial editor of the *American Mercury,* is written to introduce the federal reserve system to the general public and to stimulate interest in the system. This task is important because "with the support of an intelligent public opinion, the federal reserve system may yet become one of the strongest influences contributing toward a sounder economic life." Furthermore, this task may be performed better by a journalist than by an economist or one connected with the system. Although the primary appeal is to the general public, a suggestion of value to the specialist is made. It is that "wise judgment and energetic action depend on the ability of the men at the head of the system." Two such men for whom Mr. Weissman has

words of high praise are the widely different Dr. Miller and Mr. Eccles. In contrast, former Governor Strong and his policies do not fare so well. Even though some persons would disagree with Mr. Weissman's analyses, probably all will agree that Mr. Weissman is to be congratulated upon his effort to create an intelligent public opinion alive to the fact that the successful operation of the system is as much a matter of leadership as it is a matter of law.

KARL R. BOPP

ZOLLMAN, C. F. G. *The law of banks and banking: a treatise concerning the organization, stockholders, staff, customers and public control of banks.* Vols. i-xii. (Kansas City: Vernon Law Book Co. 1936. $90.)

Bank loans and investments. (New York: Am. Bankers Assoc. 1936. Pp. 100. 50c.)

Comptroller of the currency: seventy-third annual report, for the year ended October 31, 1935. (Washington: Supt. Docs. 1936. Pp. xii, 854. $1.50.)

Statutes of Virginia relating to banks, trust companies, banking, building and loan and kindred businesses, issued by the banking division of the State Corporation Commission. (Charlottesville: Michie Co. 1936. Pp. 104.)

Why the banks should be nationalised. (London: Labour Party. 1936. Pp. 8. 1d.)

Public Finance, Taxation, and Tariff

Economics of Planning Public Works: A Study Made for the National Planning Board of the Federal Emergency Administration of Public Works. By JOHN MAURICE CLARK. (Washington: Supt. Docs. 1935. Pp. vi, 194. 25c.)

This is the best book available on the economics of public works. It contains the penetrating, judicious, and well balanced analysis which one expects in any work by Professor Clark. Although short, it discusses a wide variety of topics—the several purposes of planning public works, varieties of economic dislocations, varieties of timing policies, cumulative effects of public expenditures, nullifying influences, problems and methods of financing, problems of labor policy, and other subjects. Probably because the study was made in the year 1934, it gives particular attention to the possibility of planning public works so as to reduce the severity of business cycles.

Professor Clark believes that public construction should be reduced in periods of prosperity and expanded in periods of depression. He would plan public works six years ahead, and would divide projects into those which should be done in a given year and those which could without material ill effects be postponed, advanced, or both. Those not designated as capable of postponement would become the minimum program for each year. When business is above normal, construction would be confined to the minimum program. When business is below normal, construction would

be increased by postponing and advancing projects. In severe depressions, works of inferior usefulness "which would not be included in a program of customary scope" would be started. Since many such projects would fall in the field of the states or the localities, they would have to be initiated with the aid of federal grants or loans. In minor depressions the expansion of public works would be financed without new borrowing simply by reducing the revenues devoted to retiring the public debt. In severe depressions new borrowing would be necessary. These loans should be amortized over a short period—ten years is suggested. Professor Clark believes such a program, "properly executed," would mitigate booms and depressions but would "hardly do more than this."

The chapter on the cumulative effects of public expenditures contains an excellent analysis and comparison of the Keynes-Kahn successive-spendings approach and the approach by volume and velocity of circulating medium. Each approach is simply a convenient method of formulating the problem. Neither answers the crucial question which is: "What happens over a period of time and under different conditions (one of which is government fiscal policy itself and another of which is the effect of public works on prices) to certain items which, in the Keynes-Kahn formulation of the problem and sometimes in the circuit velocity formulation, are treated as constants but which in fact are variables?" For example, the leakages discussed by Keynes and Kahn never are constants. The business cycle itself is evidence enough of that, for "leakages" (and their opposites) apply to all expenditures private as well as public. Incidentally, the expression "leakage" is in a way unfortunate, because it suggests that incomes which are not employed immediately to increase production do no good. As a matter of fact, the expenditures represented by "leakages" may be the most useful of all. To a considerable extent they go to build up cash reserves or to reduce indebtedness. In the midst of depression many enterprises and individuals will not materially increase their purchases of commodities until they have built up their holdings of cash or reduced their debts.

Professor Clark is well aware that an elastic public works policy will not mitigate business fluctuations unless it is "properly executed." He reminds the reader that the expansion of public construction may defeat its purpose by raising the cost of private construction. He thinks that in 1934 governmental demand helped to maintain wages and prices of materials at levels which discouraged private building. In wage policy he believes that a distinction should be made between the consumer goods industries and the capital goods industries, because in the former increased wages come back rather promptly to employers in the form of increased demand for their products; while in the latter, increased wages during depression merely increase costs without materially increasing the demand for capital goods.

Consequently, he concludes (1) that wages on public works should correspond with wages paid by employers in the capital goods industries and (2) that this market rate should show some relative decline as compared to rates in consumer goods industries.

Will not the expansion of public works in depression tend to prevent the realization of this second condition? If it does, how much will the usefulness of the expansion of public works be diminished? The answer to this question depends upon how much the revival of business is affected by price relationships. Perhaps it is affected by them very little because, after all, revival begins when price relationships are at their worst. Perhaps revival is a matter of the physical necessity of making expenditures as equipment wears out and a matter of business confidence, which depends less upon price relationships than upon the success of enterprises in reducing their debts and inventories, building up their cash, and in developing ideas on which it seems worth while, even in depression, to spend money. By helping enterprises reduce their debts and inventories and increase their cash, the expansion of public works may help revival even though it keeps the price of building materials and building labor too high. Special research on the determinants of business spending is needed to shed light on these matters.

When one looks back over the experience of the United States two years after Professor Clark made his study, even his carefully guarded faith in public works seems inadequately qualified! No nation has made a bolder effort to "prime the pump" by deliberately incurring huge deficits, and the consumer goods industries have been greatly stimulated. But who would have predicted that such a great increase in the output of consumer goods could have occurred with such small effect, for at least two years, upon the demand for capital goods? One thing that we have learned is that there is an enormous amount of "play" in the economic system and that industry has a remarkable capacity to postpone commitments, at least for two or three years, in the face of expanding markets, provided business men regard that policy as wise. All of this suggests that there is little point in the government's attempting to stimulate business by public spending unless it is also prepared in other ways to encourage enterprise. Finally, the experience of the last several years reveals the extraordinary difficulties in the way of calling a halt to government expenditures when revival is fairly well started. The very fact that business is better makes it harder to cut appropriations. At the moment it looks as if the government would not get around to eliminating its deficit until just about the time that business is ready for a recession.

Professor Clark proposes that in periods of prosperity the volume of postponed public works shall not exceed half of the normal yearly program and that the excess shall become part of the minimum program for the

succeeding year. This would tend to produce an increase in public construction fairly late in the boom. Whether one regards this as wise must depend upon one's theory of the business cycle. In some booms the trouble seems to be that the competition of private enterprise for men and materials to complete recently initiated projects pushes costs so high that new projects are not started. Under such circumstances an expansion of public works would add to the price maladjustments which play an important part in terminating the boom.

On page 66 Professor Clark indicates a misunderstanding of my position on the timing of expansion in expenditures for public works. My inadequate exposition may be responsible. At any rate, Professor Clark concludes that I do not believe that expenditures for public works should be expanded until business has shown signs of revival. This is not quite true. My position is that the expansion of public works should not come "early in a depression before the prices of building materials and labor have had an opportunity to fall," or, as an alternative, that the government should "predicate its willingness to expand construction by a given amount upon the willingness of building labor and producers of material to accept a given reduction in their prices."[1] This judgment, as Professor Clark suggests, rests partly upon the view "that it is impossible to check a recession in the first stages, before its cumulative effects have come into play." That, I believe, is true, at least in the case of serious maladjustments where a large volume of liquidation is inevitable. Furthermore, Professor Clark's analysis of the maladjustments which underlie cyclical movements in his fourth chapter leads me to suspect that he shares this view.

But there are two other reasons why I do not think that public works should be expanded early in a depression unless at substantially less than boom prices. One reason is the conviction that, until the art of preventing or controlling booms has been much further developed, it is unwise to do too much about controlling mild depressions. The liquidation which they precipitate is the best protection against the severe depressions which are socially dangerous. Would we not have been far better off if the recession between November, 1926, and December, 1927, had precipitated moderate liquidation in the stock and real estate markets? Early in a depression one does not know whether the recession will be mild or severe. If it be severe, then obviously a public works program which goes far toward maintaining boom prices of building labor and materials may do as much harm as good. Professor Clark recognizes this difficulty and proposes to meet it by authorizing the National Planning Board to determine whether prices and costs in the construction industries are so high as to constitute

[1] "The Economics of Public Works," *American Economic Review*, Suppl., March, 1934, p. 184.

an obstacle to the private recovery of demand in these fields. If it so finds, the Board shall withhold its certification that conditions call for expanded public works. The difficulty here is that early in a depression private construction costs are not likely to be regarded as too high. Even in 1930 they were not regarded as too high, for in the spring of that year many building trades unions won wage increases. After public construction has been expanded at a given level of wages and prices, it obviously becomes doubly difficult for the government to bring about reductions in those prices. Consequently, it seems to me axiomatic that public construction should never be expanded in a period of depression except at prices which are substantially less than those which prevailed at the peak of the boom.

An interesting appendix by J. W. Sundelson on "Fiscal expenses of planned public works" presents views somewhat at variance with those of Professor Clark.

SUMNER H. SLICHTER

Harvard University

Public Finance. By ALFRED G. BUEHLER. (New York: McGraw-Hill. 1936. Pp. xix, 632. $4.00.)

Treatises of public finance written by Americans have not appeared so numerously as to fatigue those persons who are expected to read them. On the other hand, each new book of principles, including Professor Buehler's, has received an eager welcome. It is a curious, though not an important, fact that the American treatises which have thus far been written may be classed as a kind of cyclical phenomena. Professor Plehn led the way in 1896, and was followed by Adams in 1898 and Daniels in 1899. It may have been the great merit of these three able works which intimidated other Americans from entering the ranks of competition with them; but it is noteworthy that after Professor Daniels it was more than twenty years, or in 1921, when Hunter came out with a text, that there was any addition to the list of American treatises. Lutz and Jensen made their appearances in 1924, thus completing the second cycle. Shultz in 1931, King in 1935, and Buehler in 1936 constitute a third cycle. These dates neglect, of course, revised editions, and the important specialized contributions of Seligman and Bullock, whose works are classic in the literature of American public finance.

It is perhaps inevitable that a presentation of the principles of public finance must nowadays run to many pages, as, for example, the third edition of Lutz, and even to more than one volume, as witness the third edition of Shirras, for present-day financial systems and fiscal problems are bewilderingly multiple and complex. It is true that many decades ago Wagner, von Heckel, and Leroy-Beaulieu took up two or more volumes; but until re-

cently we have become habituated to a briefer treatment by American authors. The time is near, if it has not already come, when the interest of the busy layman-reader, who is no doubt a rare individual, and the limitations of what can be covered thoroughly in a semester course, require that there shall be still briefer treatments of public finance which essay to be only introductory, and that it be left to other volumes to give the elaborate refinements of theory and the important but tedious wealth of world historical, statistical, and descriptive materials.

Professor Buehler's book is somewhat in-between the introductory and cosmic types of treatment of the field. What distinguishes his treatment from that found in other contemporary American texts is his inclusion of a considerable amount of historical material and of matter descriptive of foreign, mainly English, practices. In these innovations, however, his treatment is not comparable to that found in Bastable or Shirras, and the non-American material in his book is not sufficient to justify one in classifying the work as other than a treatise on American public finance.

The material in this new text, in all the divisions of the field, is down-to-date. For example, the European dictatorships do not go unnoticed, and the repercussions of the great depression on federal, state, and local finances are reviewed.

In explaining the increase in the expenditures of all nations the author states that "everywhere the tide of collectivism has been running swift and strong." Also, he says that "the prevailing social and political philosophy of America today is definitely collectivistic." One may observe, however, that so far as strictly national expenditures are concerned, the preparation for, the prosecution of, and the aftermath of war, rather than "collectivism," remain as the chief cause of increase. The use of the term "collectivism" is an unfortunate one, because of its popular association with communism. Professor Buehler uses the term to describe that theory of government functions which lies between individualism and socialism. One may agree with him as to the trend in public expenditures, but differ as to how it shall be labeled. His general attitude toward controversial questions is one of conservatism. He believes, however, in the relativity of fiscal systems, and therefore of fiscal theory, to economic, political, and social conditions. This relativity of the principles of public finance results of course in there being no eternal principles, and affords the opportunity for that difference of opinion among those academicians whose guild is the teaching of public finance, as to public spending as a means to recovery or for smoothing out the business cycle, as to the rate policy of public commercial enterprises, as to the appropriateness of a general sales tax, as to the desirability of tax rate limitation, as to the use of tax machinery for non-fiscal purposes, and as to what constitutes justice in taxation. There seems to be general

agreement on only one thing, and that is capable and honest administration. One is reminded in this connection of Professor Seligman's epigram, "A good tax law is one-tenth law and nine-tenths administration."

Professor Buehler is rarely dogmatic on a controversial subject. He even says, "Justice in taxation is a matter of opinion." One might accuse him of implying that one man's opinion is as good as that of another man, but this is true only at the ballot box. A questionnaire circulated fairly recently by Mr. Mark Graves, of the New York State Tax Commission, sought to elicit the opinions of the fiscally learned on a host of questions. What was the preponderance of opinion could be learned from the results of this plumbing of the elect, though it must be confessed that their differences of opinion as well as a reading of any text in public finance lead one to wonder how far along public finance is toward being a science. Professor Buehler has occasion repeatedly to explain financial conduct on the basis of expediency, and, since there are no "yardsticks," he thinks that expediency is a "practical and often safe guide," provided it is not overworked.

Professor Buehler is opposed to tax limitations as a means of control of public expenditures. He says that the burden of taxation is really the burden of spending and that the proper course of control therefore is for the public to become "spending conscious" and to practise rational spending. One is inclined to think that this kind of public is a resurrection of the long-ago interred "economic man." Professor Buehler is a recognized authority on the sales tax, and it is of interest to note that he believes the general sales tax has come to stay indefinitely. He emphasizes the need of coördination of federal, state and local tax systems. In his opinion, the nation is too large for centralization in Washington to be the right solution of all the troubles of the fiscs. However, he thinks that federal collection of all income, commodity, and inheritance taxes and distribution of their yield, although too radical for the American people to adopt at this time, is a method preferable to the crediting device now employed in the case of the federal estate tax. The general property tax is, as usual, raked fore and aft. The poll tax likewise is severely criticized, despite the injunction given elsewhere in the book that a tax is to be judged not independently but only on the basis of its place in a tax system. The five concluding chapters of the book are devoted to public credit and public debts and include in detail the developments in the federal, state, and local debt structures of the past few years.

E. T. Miller

University of Texas

Public Finance. By Harley L. Lutz. 3rd ed. (New York: Appleton-Century. 1936. Pp. xxi, 840. $4.00.)

The third edition of this standard work, the first edition of which appeared in 1924, is marked by numerous changes and improvements. The subject matter has been thoroughly revised to conform with the extra-

ordinary developments in public expenditures and revenues during the past seven years. Not only have the factual and statistical data been brought down to date, but also several new chapters have been added and much of the old material has been substantially rewritten.

Under the heading of "Public expenditures," considerable attention is given to methods and instruments of expenditure control. The problem of control does not involve simply a limitation in the amount of expenditure or in the volume and quality of government services. It means rather an effort to obtain an optimum return in the way of administrative performance and a knowledge on the part of taxpayers concerning the nature of services in relation to their costs. Thus there should be a rational determination of governmental costs which hitherto has not been realized in American governments. The technique of expenditure control is discussed under the following divisions: (1) the organization and structure of governmental agencies; (2) the instruments of expenditure control; and (3) the policy of control. There is a timely chapter also on overlapping agencies and jurisdictions, as between the federal government and the states and between state and local governments.

In contrast with the attitude of various students of public finance, Professor Lutz assumes a critical position toward the program of federal public expenditures and the enormous increase in the federal debt since the beginning of the depression. He points out that during the past seven years (including 1937) current receipts have ranged far below total expenditures and concludes that, "government is not immune from economic forces; neither is it exempt from economic principles." He finds that the federal public works experiment which was intended to prime the pump of business was not conspicuously successful, while the prolonged excess of expenditures over receipts has laid the basis for serious price inflation.

The author strongly believes that the desirability of the use of progressive taxation as a means of achieving the goal of fairly complete equalization of incomes is open to grave doubt. The effects of such a policy would be to endanger capital accumulation and to reduce the standard of living for all. It is asserted also (p. 701) that under a program of equalization "references to ability become insincere, and there is no need of troubling with a progressive tax rate scale, since the law can as well be written to expropriate outright all above any established amount of income or wealth."

Part 3 on "Taxation" is expanded by approximately 100 pages in order to take cognizance of the more recent developments in this field. There is a new chapter on "Tax systems and tax administration," and another on "The effects of taxation." The title of the chapter, "Taxes on corporations" in the previous edition has been changed to "Taxes on acts and privileges: the taxation of business." There is a growing tendency on the part of state legislatures to impose various forms of privilege taxes on business enterprise. In answer to the question whether business activity should be taxed

as such, the author concludes that, since many corporations own little tangible property in states in which a large volume of business is transacted, some method of business taxation is inevitable.

In order to keep pace with recent changes, Professor Lutz found it necessary to reorganize the material in part 4 on "Public credit," and in part 5 on "Financial administration." There is an excellent treatment of state and local debts and of the effect of public borrowing on the exchange mechanism. The concluding chapter on "The custody of public funds" is very timely. Each successive edition of this important work has gained wide acceptance and it well deserves the high place which it holds in the literature of public finance.

TIPTON R. SNAVELY

University of Virginia

Taxable Income. By ROSWELL MAGILL. (New York: Ronald. 1936. Pp. ix, 437. $5.00.)

Too little attention has been given to the development of consistently logical concepts of business and taxable income. Instead, these important concepts have been allowed to develop through innumerable case applications, where pressure of immediate considerations has affected results and retarded consistency and logic. In the present volume, Dr. Magill, under the auspices of the Columbia University Council for Research in the Social Sciences, has turned the full force of his legal training and analytical capacities upon a study of the legislation and cases concerned with taxable income. His own measure of the difficulty of the problem is perhaps well indicated by the title of his concluding chapter, "Toward a concept of taxable income." This work is a contribution in an important neglected area.

The subject is approached in three sections. The first five chapters are concerned with "The requirement of realization." Dr. Magill considers the historical development of the requirement, in both cases and legislation. Chapters 6 through 9 form part 2, with a general heading, "Characteristics of income." The concluding section considers the effects of "The source of the payment."

Legislation and a multitude of cases are cited and discussed critically in the text and in footnote references. By comparison, contrast and distinction, the author shows development and extension of the subject. The obviously careful, painstaking research upon which the volume is based is impressive.

The author's conclusions, or better perhaps, his present point in his striving toward a concept of taxable income is stated in his final chapter, as follows:

The taxable income of an individual consists of (1) his total gross receipts during the period (other than gifts, bequests and devises), after subtracting its

cost from the proceeds of any sale or other disposition of stock-in-trade or an investment, plus (2) any increase in his economic worth resulting from the discharge of his obligations.

1. Income so determined is considered to belong to the person who earned it, or who owned or controlled the investment which produced it.

2. The gross receipts of an individual include: (1) any item of money; and (2) any interests in property, having a money value, and differing in kind or in extent from those previously held by the recipient, which he has actually received, which he may obtain upon demand, or which have accrued during the period according to a recognized method of accounting employed in keeping his books.

3. Obligations for this purpose include not only one's debts, but recognized obligations to support and maintain one's family.

With Dr. Magill the reviewer hopes that his work will not be measured solely by agreement or disagreement with his conclusions. As he expresses it, "Whatever value this study possesses lies in the detailed analysis and integration of the decisions and legislation in the field. . . . The philosophy of the Supreme Court, even in this single field, cannot be epitomized on a single page. There is not really a single philosophy, but the philosophies of the long procession of distinguished individuals who from time to time have constituted the Court. The mosaic one may make of their separate views is not static, but dynamic; it gradually changes as conditions change; as, for example, the science of accounting becomes better understood by legislatures and courts." Dr. Magill shows the present design of the mosaic.

W. P. Fiske

Massachusetts Institute of Technology

The System of Chinese Public Finance. By Lee Chou-Ying. (London: P. S. King. 1936. Pp. xiii, 256. 12s.)

Within brief compass the author describes in part 1 of this volume the present system of public finance in China in the light of its historical background. In true Chinese fashion, however, he goes back to the Chou dynasty—1122 B.C.—for the origin of many financial practices, which requires a considerable amount of reading into ancient Chinese records facts and implications which may not be justified. The Chinese audit system for financial accounts, for instance, is traced from the Chou dynasty through the Han and Sung and Tsing dynasties, with the statement that by the time of the Sungs, in 1072 A.D., the audit system "was well established as the most elaborate procedure in Chinese finance."

Its elaborateness must have been on paper or in the law rather than in fact, for the author has told us in the introduction to his work that before the establishment of the Republic in 1912, China, under an absolute monarch, had no proper system of public finance; public accounts were not kept—the King collected what he wanted and spent as he liked, with no

financial control of any kind. The writer even admits that during the period of the monarchy "the functions of audit were not carried out in accordance with the law."

The present period in Chinese public finance is given the label "The Nationalist party dictatorship period, from 1927 to 1935." It follows the period of the Republic from 1912 to 1927.

In part 2 of this work the author in a more scholarly manner and with more objectivity in point of view, compares the administrative, legislative and judicial features of the Chinese financial system with those of England, the United States, France and Germany. As a graduate of the London School of Economics with a doctor's degree in economics, Lee Chou-Ying shows a remarkable grasp of the detailed procedures involved in the financial systems of other countries, notably that of England and the United States.

One has the feeling throughout the work that where the author discusses the financial processes of the present and of the republican régimes, he is dealing rather idealistically with what *ought* to be rather than what *is*. For instance, the budgetary machinery of the Republican period is described in terms of the law rather than in relation to what actually took place. When the present writer made a study of Chinese public finance in Peking during the period of the Republic, it was necessary to refer to the budgets of that day simply as pious hopes that in some manner the revenues and the expenditures could be made to meet, for, in fact, at that time the expenditures of the central government were seventeen times greater than its revenue. As a matter of fact, the author makes the statement that to get at the basis of the present situation in China, one must get "beneath the surface appearances in the present financial régime."

The real purpose of the book is brought out in the conclusion where he suggests a number of measures of reform in public finance in China, in the light of his laborious and sometimes monotonous comparisons between the so-called financial system of China and that of the leading occidental nations.

Frederic E. Lee

University of Illinois

NEW BOOKS

Barton, J. T. *City indebtedness in Texas*. Stud. no. 19. (Austin: Univ. of Texas Bureau of Res. in Soc. Sci. 1936. Pp. 102. Gratis.)

Bhatnagar, B. G. *Municipal administration and finance in pre-British days.* (Allahabad: Indian Press. 1936. Pp. xi, 86.)

Cohn, D. L. *Picking America's pockets: the story of the costs and consequences of our tariff policy.* (New York: Harper. 1936. Pp. xiv, 256. $2.75.)

In the present-day reaction toward political and economic nationalism there is urgent need for a popular and on the whole sound presentation of the

costs and industrial consequences of the trade restrictions involved in this development. In the judgment of the reviewer such a presentation is made in this volume for the United States. The author is a Mississippi business man who has studied for several years the operation of our protective tariff system at close range. While much of his criticism of America's high tariff policy is directed at its operation in the South, particularly as it affects the cotton-growing area, his treatment is an illuminating discussion of the toll taken from the pockets of farmers and consumers by business interests profiting by the practice of limiting or entirely shutting out foreign competition.

The inconsistency of many high tariff advocates is typified by a well known newspaper publisher who "shrieks from the columns of his multiple newspapers 'Buy American' " while purchasing his newsprint, which is not dutiable, in Canada, Finland, or wherever he can obtain the same most cheaply. The menace of the much-talked-of Japanese competition is likewise disposed of by showing that since 1932 this country has sold Japan more goods than we have purchased from her, and that only about 8 per cent of our imports from that country can be classed as "substantially competitive." The wage argument is similarly attacked by showing the relationship between wage rates and labor productivity and by the relatively low wages prevailing in the protected industries as compared with those in exporting industries not dependent on tariff safeguards.

One of the most illuminating chapters in the book deals with our industrial dependence upon foreign trade. Here the author uses the figures published by the Department of Agriculture showing the large proportion of basic farm products sold in foreign markets, effectually refuting the statement of Mr. Hoover in his Des Moines speech that 90 per cent of the farmer's market is at home. Some of the readjustments that would be necessary following a drastic curtailment of our agricultural exports are also shown.

In the opinion of the reviewer the writer could have conceded something to the influence of the protective tariff in enabling certain industries to become established in the United States without compromising his main argument. This, however, is a minor defect. The book stands as a much needed appeal for some rational handling of the nation's tariff policy.

ABRAHAM BERGLUND

CORNELL, F. G. *A measure of taxpaying ability of local school administrative units.* Contribs. to educ. no. 698. (New York: Teachers Coll., Columbia Univ. 1936. Pp. viii, 114. $1.60.)

CROW, W. H. and GREENE, U. S. *Planning for tax economy.* (New York: Waldrep-Tilson. 1936. Pp. xix, 390. $7.50.)

DE VITI DE MARCO, A. *First principles of public finance.* Translated from the Italian by EDITH PAVLO MARGET. (New York: Harcourt Brace. 1936. Pp. 435. $4.)

GEBHART, J. C. *Is government worth what it costs?* Address before N. Y. State Convention of the League of Women Voters, October 15, 1936. (New York: Nat. Economy League. 1936. Pp. 14.)

GIRARD, R. A. *The scope for uniformity in state tax systems.* Spec. rep. of N. Y. State Tax Commission, no. 8. (Albany: J. B. Lyons. 1935. Pp. 229.)

Professor Girard has made a valuable overall sketch of the extent, character and results of actual and projected uniformity in state tax policy. As he

himself suggests (p. 209), the examination does not concern the details but rather the general outlines of state financial practice and planning. The author suggests the model plan of the National Tax Association committee as a basis of approaching the problem. Against the obvious advantages of uniformity such as that suggested by the National Tax Association committee, Girard finds a number of impediments: some legal, some historical, some geographical, and others of miscellaneous origins. The general conclusion is that, although complete uniformity is neither possible nor desirable, there is proper scope for extension of interstate planning and for uniform legislation.

JAMES W. MARTIN

HAZELETT, C. W. *Incentive taxation: a key to security.* (New York: Dutton. 1936. Pp. xv, 195. $1.)

Here is a new panacea. The evil to be cured is the defective production of goods attributable to the withdrawal of the factors of production in the supposed interest of the owners thereof. Strikes of labor, capital, farms, and money (to use the author's classification) are to be eliminated by the apparently simple expedient of making it to the owners' interest not to strike. Taxation is the mechanism. Factors fully employed (according to some standard, say 70 per cent, of capacity) are to be allowed some material concession in the taxes now imposed. Those unemployed, or employed less intensively than the standard ratio, would be taxed progressively at rates graduated inversely with the percentage of employment. The incentive to "earn" the low tax rates, and the fear of being assessed the high rates, which would be prohibitive at the point of total unemployment, are relied upon to cause stable, continuous, and abundant production.

A scheme like that ought to work. In principle it is deserving and ought to be applied wherever possible. Yet it will probably find little more application than did the physiocratic *impôt unique,* or the Georgian variety of land value taxation. The reasons are plain as soon as one begins looking for the details necessary to fill in the picture. There is, for example, no hint as to the source from which, the measure according to which, and the force by means of which, taxes on labor on strike may be collected. The book is, in short, a statement of an idea, with some evidence adduced tending to show that incentive taxation would have salutary affects if and where it could be applied.

JENS P. JENSEN

HERRMANN, W. *Intermediäre Finanzgewalten: eine Analyse deutscher hilfsfiskalischer Gebilde im ersten Jahrzehnt nach der Stabilisierung.* (Jena: Fischer. 1936. Pp. vi, 185. RM. 9.)

HILLHOUSE, A. M. *Municipal bonds: a century of experience.* (New York: Prentice-Hall. 1936. Pp. xiv, 579. $5.)

KENDRICK, M. S. and SEAVER, C. H. *Taxes: benefit and burden.* (New York: Newson. 1937. Pp. 189. 80c.)

MAGUIRE, J. M. and MAGILL, R. *Cases on the law of taxation.* 2nd ed. (Chicago: Foundation Press. 1936. Pp. 1034. $7.)

MONTGOMERY, R. H. *Federal income tax handbook, 1936-1937.* (New York: Ronald. 1936. Pp. xv, 1207. $10.)

MONTGOMERY, R. H. and MAGILL, R. *Federal taxes on estates, trusts and gifts, 1936-37.* (New York: Ronald. 1936. Pp. x, 526. $7.50.)

NEWCOMER, M. *Central and local finance in Germany and England.* (New York: Columbia Univ. Press. 1937. Pp. xi, 381. $3.50.)

POWELL, A. L. *National taxation of state instrumentalities.* Stud. in soc. sci., vol. 20, no. 4. (Urbana: Univ. of Illinois. 1936. Pp. 166. $2.)

SCHULTZ, A. D. *The fiscal situation in Ohio.* (Columbus: Ohio Chamber of Commerce. 1935. Pp. xi, 188.)

SHIRRAS, G. F. *Science of public finance.* Vols. I and II. 3rd ed. (New York: Macmillan. 1936. Pp. xliv, 520; xxii, 521-1146. $12.50, the set.)

SINKER, J. *Minimizing securities taxes: 1936-1937 edition.* (Chicago: Commerce Clearing House. 1936. Pp. 151. $1.)

STAMP, J. C. *The fundamental principles of taxation in the light of modern developments.* New, rev. ed. (New York: Macmillan. 1936. Pp. 233. $4.)

STUDENSKI, P., editor. *Taxation and public policy: a discussion of the current problems of American and European public finance.* (New York: Richard R. Smith. 1936. Pp. 267. $3.)

A series of chapters on financial problems of the United States and two dealing with European finance, written by 10 contributors. These contributions are based on articles in *The Nation,* October 17, 1934–March 6, 1935. The authors discuss federal and state finance, public budgeting, educational finance, municipal credit, coördination of federal, state and local finance; and the concluding chapter submits a tax program for the future. Tables, charts, and references are included.

VAN POLEN, H. *The master plan: government without taxation.* (Boston: Christopher. 1936. Pp. 78. $1.25.)

WALLACE, G. E. *Taxes: source and distribution in Minnesota.* (Minneapolis: Bruce Pub. Co. 1936. Pp. 144.)

WEAVER, J. C. *Digest of the customs reports covering decisions of the United States Court of Customs and Patent Appeals contained in volumes 1 to 22, inclusive of the customs reports.* (Chicago: Callaghan, under authority of U. S. Court of Customs and Patent Appeals. 1936. Pp. 538.)

American federal tax reports: a convenient collection of unabridged court decisions from every American court—state and federal—that has had before it problems arising under the federal tax laws. Vol. 16. *Table of cases, cross-reference table and index covering volumes 15 and 16.* (New York: Prentice-Hall. 1936. Pp. v, 1509.)

Assessment terminology: tentative draft. (Chicago: Committee on Assessment Terminology of the Nat. Assoc. of Assessing Officers. 1936. Pp. 60. 25c.)

Boletin de hacienda: economía, finanzas, estadística. Año xxiii, nos. 1-7. (Montevideo: Contaduria Gen., República Oriental del Uruguay. 1936. Pp. 137.)

Collections from selected state-imposed taxes, 1930-1936. (Washington: Treasury Dept., Div. of Research and Stat. 1936.)

Commissioner of Internal Revenue: annual report for the fiscal year ended June 30, 1936. (Washington: U. S. Treasury Dept. 1936. Pp. vi, 183.)

Conflicting taxation: the 1935 progress report of the Interstate Commission on

Conflicting Taxation. (Chicago: Am. Legislators' Assoc. and Council of State Govts. 1936. Pp. 202.)

This is a report prepared by the research staff of the Commission under the direction of James W. Martin. The investigators find the sources of conflicting taxation in overlapping taxes, conflicting federal and state fiscal policies, various legal interpretations of statutes, a multiplicity of tax bases, and constitutional restraints on the taxation of interstate commerce by the states. The results of the conflicting taxation appear in duplicate administration, competition among taxing jurisdictions, evasion, avoidance, unjust and inconvenient taxation, and other evils.

The authors of the report criticize the chaotic individualism of American governments in their programs of conflicting taxation. They discuss the re-allocation of government functions, the segregation of revenues, the sharing of centrally collected revenues, and grants-in-aid as methods of dealing with the problems arising. Among the specific recommendations are the abandonment of gasoline taxation by the federal government, the imposition of no new tobacco taxes by the states, relatively more reliance upon income taxation, and federal and state coöperation in the use of death taxes in a manner that would give the states a larger share of the taxes on small estates and the federal government a larger share of the taxes on large estates.

Much of the report is statistical and indicates federal and state revenues from various taxes. Estimates are also presented to show the revenues which would be realized if various changes were introduced in methods of federal and state taxation. The tables showing the tax collections of the states would be more useful if the totals for the particular taxes had been computed.

Alfred G. Buehler

Financial accounts of the United Kingdom for the financial year 1935-36. (New York: British Library of Information. 1936. 50c.)

Financial statistics of cities, 1934. (Washington: Census Bureau. 1936. Pp. 164. $1.)

Financial statistics of cities having a population of over 100,000, 1934. (Washington: Census Bureau. 1936. Pp. 19. 5c.)

Reports of United States Board of Tax Appeals. Vol. 33. *September 1, 1935, to February 29, 1936.* (Washington: U. S. Board of Tax Appeals. 1936. Pp. 1333. $2.50.)

Republic of China: report of the National Government for the 23rd fiscal year, July, 1934, to June, 1935. (Nanking: Ministry of Finance. 1936. Pp. 23.)

Revenue act, 1936, with explanation: approved June 22, 1936. (Chicago: Commerce Clearing House. 1936. Pp. 124.)

Revenue laws with 1936 Act and explanation: a compilation of the Revenue act of 1936, with explanation of new provisions, and the effective provisions of the prior acts and miscellaneous statutes as amended. (Chicago: Commerce Clearing House. 1936. Pp. xxiv, 265.)

The tax law of the State of New York, as of August, 1936. Indexed. (Albany: Commerce Clearing House. 1936. Pp. 274.)

Taxes of the State of Wisconsin and its political subdivisions, 1901-1936. Bull. no. 76. (Madison: Wisconsin Tax Commission. 1936. Pp. 40.)

The ton-mile tax: a third-structure levy on motor carriers. (Washington: National Highway Users Conf. 1936. Pp. 30.)

Twenty-seventh report of the commissioners of His Majesty's Customs and Excise for the year ended 31st March, 1936: being the 80th report relating to the customs and the 79th report relating to the excise. (London: H. M. Stationery Office. 1936. Pp. 219. 3s. 6d.)

The working man's tax bill: a research study of the actual expenditures of three thrifty New England families. Reprinted from *The Providence Journal and Evening Bulletin.* (Providence: Providence Jour. and Evening Bull. 1936. Pp. 56.)

Population and Migration

NEW BOOKS

BARTH, K. *Das Bevölkerungsproblem und seine Auswirkung in der neuen deutschen Steuerreform.* (Leipzig: Hans Buske. 1936. Pp. 158. RM. 4.50.)

CLARK, C. D. and ROBERTS, R. L. *People of Kansas: a demographic and sociological study.* (Topeka: Kansas State Planning Board. 1936. Pp. ix, 272. $2.)

KOHLER, M. J. *Immigration and aliens in the United States.* (New York: Bloch Pub. Co. 1936. Pp. 469. $3.)

MUKERJEE, R. *Migrant Asia.* Comitato Italiano per lo Studio dei Problemi della Popolazione, ser. iii, vol. i. (Rome: Failli. 1936. Pp. xlv, 310. L. 30.)

PEARSON, S. V. *The growth and distribution of population.* (New York: Wiley. 1935. Pp. 448. $4.)

The author of this volume is a London physician. He recognizes that an understanding of the growth and distribution of population presupposes a knowledge of economics and psychology. He says he has studied these sciences for more than thirty years, not in textbooks but in "the elementary commonsense forms of knowledge which an average man or woman acquires from life's experience and from nowhere else." Dr. Pearson evidently does not have a high opinion of professional economists. They "hardly seem able to understand what 'unemployment' is." And there are a lot of evils, including maladjusted production, war, and disease, which they have failed to show how to prevent.

One need not hold it against him that he has this low opinion or that he should by implication demand of the economists so much. Dr. Pearson himself recognizes that the economics of population and resources is a very complex matter. The signal difference between him and the average economist is that he thinks there are two simple measures which would effect a solution of the population problem: free trade in foodstuffs, and the social appropriation of all land rent. These, indeed, together with a strong sentiment for individual liberty and unforced coöperation, are the thoughts which run through the many discursive chapters.

Despite its extreme discursiveness, the book contains some thoughtful passages, and the reader interested in statistics may glean some useful information.

A. B. WOLFE

Report on the overcrowding survey in England and Wales. (New York: British Library of Information. 1936. Pp. 181. $2.25.)

Social Problems and Reforms

Who Owns America? A New Declaration of Independence. Edited by HERBERT AGAR and ALLEN TATE. (Boston: Houghton Mifflin. 1936. Pp. x, 342. $3.00.)

The common denominator of these essays by 21 authors is "a belief that monopoly capitalism is evil and self-destructive, and that it is possible, while preserving private ownership, to build a true democracy in which men would be better off both morally and physically."

The book appears to get its title from the third essay by John C. Rawe on "Agriculture and the property state," in which he asserts that we have travelled far from true ownership to incorporation in industry—a quiet revolution that is subversive of human values, unjust, ruthless, undemocratic. "There is but *one* solution for this nation and that is a ***new Declaration of Independence*** and a ***return to the Jeffersonian concept of the Constitution*** through widespread ownership and coöperation under a general freehold tenure of property" (p. 50).

Part 1 consists of seven essays depicting the major evils of the day. Coyle leads off on the fallacy of mass production as "usually a mere camouflage for high-finance manipulation of business" (p. 17). Big business is represented as "a vast economic empire which now defies both state and federal power" and discourages a greater distribution of the fruits of corporate enterprise (p. 35). Agriculture is throttled by "the formation of agricultural joint-stock companies" and "bank ownership" through foreclosure (p. 46). The Supreme Court is a judicial despot; property has lost the attribute of "responsibility of personal control" (p. 87), and our objective should be small "private business, . . . small-scale capitalism (the true property state)" (p. 100). Agar closes very wisely with the question, "But can it be done?"

Part 2, in five essays, pleads for further reform. One advocates a system of regional commonwealths, since "the regions need a safeguard against imperialism" both economic and social (p. 130). Another suggests a government corporation *(sic)* "to balance agricultural commodity imports and exports" (p. 157), and thus regulate exports for the benefit of agriculture as well as imports according to our present tariff structure. A third idealizes the "yeoman farmer" as distinguished from the planter as the true exponent of the good life (p. 169), and urges assistance to tenants to become yeomen with resulting liberty based on property. A fourth speaks for the South and campaigns for "the combination of subsistence-farming and money-farming" (p. 188). And still another is optimistic with regard to the world trend toward self-sufficiency, as "necessary in some measure to the health and dignity of every community" (p. 214).

Part 3 contains four essays in apologia for the small town and the small farm as the sure hope of the nation. Part 4, in five jeremiads, gives timely warnings. There is the danger of "dictatorship"; big business may become the destroyer of real liberty. Hilaire Belloc closes the volume with the gloomy observation that "the modern man" is heading for the consequent

decline of our civilization. His "remedy" is the re-institution of private property and its extension to a determining number of the community.

Running through the pages of the book is a purpose. It is, of course, propaganda in the best sense of the word. Its contribution is in focusing attention upon some of the weak spots in our economic and social life. One could well wish that the authors had come to grips with the two horns of the dilemma, and had shaken the problem until it gave forth an answer to the question, How can we have the integration associated with the concept of economic planning and at the same time achieve decentralization of economic control?

J. S. ROBINSON

Carleton College

Slums and Housing, with Special Reference to New York City: History, Conditions, Policy. By JAMES FORD with the collaboration of KATHERINE MORROW and GEORGE N. THOMPSON. Vols. I and II. (Cambridge: Harvard Univ. Press. 1936. Pp. xxiii, 508; x, 511-1033. $10.00 the set.)

"For nearly three centuries decisions as to legislation and other policies (relating to housing) were arrived at through the method of debate and compromise. Such evidence as was adduced was submitted by persons more or less well informed. Their statements were usually made on the basis of personal observation, rarely supplemented by case counting and seldom subjected to critical analysis."

This quotation from Professor Ford's two volume work might be taken as supplying the key to the significance of this monumental contribution to the scientific approach to the study of housing. Social scientists will approve of the care with which the author attempts to define his terms in the first fourteen pages of the book. They will find interest in the historical comment and bibliographical references on other slums of classical Rome and the medieval city. There follows an impressive review of the minutiae of housing and health regulations of the City of New York from earliest times down to date, which forms the background for the remainder of the book. The historical comment falls roughly into the first half of the nineteenth century of rapid growth of the city and even more rapid growth of bad housing, the second half of the century in which reform was attempted by legislative action and the early twentieth century reliance upon purely restrictive legislation as a major device to cope with social evils. From the creation of a permanent Tenement House Department in 1910, the enlarging concept of housing through the war developments, President Hoover's Conference on Home Ownership and Home Building, the tightening of building codes and sanitary codes are reviewed in great detail.

This serves to throw into bolder relief the emphasis, since 1932, that has been put upon the newer constructive, positive policies as against the reliance upon restrictive legislation and private effort.

The physical background of urban housing as well as the comparison of New York with other cities relieves the narrowness of the central theme of the work which is that of New York City itself. The statistical treatment of the city includes population movements, economic factors, racial distribution, negro housing, non-family groups, mortality and disease, crime distribution, and the effects of bad housing upon health and behavior. The chapters on the causative factors of slums and the prevention of slums through control of these factors indicate the broad-gauge treatment of the housing problem and the avoidance of particularistic fallacies in the cause and cure of housing evils. Industrial decentralization as well as suburban development is taken into consideration in the larger aspects of urban banking and the relation of city planning to slum prevention, concluding the first volume of 500 pages.

The striking contrast between the difficulties of demolition in New York and in England is noted, and also the process of land acquisition, appraisal and condemnation, are examined in detail, both historical, so far as New York is concerned, and comparatively as to corresponding practices in Europe leading to slum elimination. Slum rehabilitation through private effort including such items as the Octavia Hill principles forms the background for a presentation of a comprehensive social policy for slum elimination which closes Part 4.

The rebuilding of slum areas is the subject of Part 5 and includes both the legislative approach by the various states including New York, together with the administrative policies of the municipalities, states, and federal government. Limited dividend companies and model tenements, responsible for less than one per cent of all urban housing, are evaluated along with current federal projects. Housing projects for single men and women, a heretofore much neglected part of the lodging-house problem, are given attention. In contrast to the sociological and historical emphasis of the preceding 37 chapters, the remaining 4 chapters of this Part 5 deal with economic and cost factors in replanning and rehousing.

An appendix of 100 pages by Mr. I. N. Phelps Stokes contains a summary of architectural proposals for low cost housing in Manhattan between 1879 and 1934, especially the design of block and sub-block units. An ample housing bibliography of 25 pages completes the work.

EDWIN S. BURDELL

Massachusetts Institute of Technology

NEW BOOKS

ABBOTT, E., assisted by BRECKINRIDGE, S. P. and others. *The tenements of Chicago: 1908-1935.* (Chicago: Univ. of Chicago Press. 1936. Pp. xx, 505. $5.)

Aldrich, W. W. *Business recovery and government policy—national and international.* Address at Illinois Manufacturers' Assoc., December 8, 1936, at Chicago. (New York: Chase National Bank. 1936. Pp. 25.)

Allen, J. S. *The negro question in the United States.* (New York: International Pubs. 1936. Pp. 224.)

Aronovici, C. and McCalmont, E. *Catching up with housing.* (Newark: Beneficial Manag. Corp. 1936. Pp. xvi, 243. $2.)

Contains in brief space useful data in regard to housing shortage, the activities of the government in promoting better housing, community planning and descriptions of housing projects. There is a 25-page bibliography including foreign references.

Ballard, L. V. *Social institutions.* (New York: Appleton-Century. 1936. Pp. 526. $4.)

Bassett, E. M. *Zoning: the laws, administration, and court decisions during the first twenty years.* (New York: Russell Sage Found. 1936. Pp. 275. $3.)

Only two men in America could write such a book, and one of them, Mr. Bassett, the father of zoning in New York City, has undertaken the job. Zoning, largely a twentieth century application of the police power, has provided one of our most useful social inventions in preserving human and economic values in cities and towns. Its extension to rural areas as in the Wisconsin County Zoning Enabling act, forecasts that land use generally throughout the United States, rural as well as urban, will ultimately be controlled by this device of collective social action. In view of the economic implications of zoning control over more than 1,200 American municipalities, it seems reasonable to call attention to the only single comprehensive and authentic publication on the subject. Mr. Bassett, a member of the New York Bar, has handled the subject with great care and brings to bear his twenty-odd years of experience as counsel of the Zoning Committee of New York City. A discussion of both the historical and theoretical aspects precedes the precise description of districts, nonconforming buildings and uses, boards of appeals, court procedure, and the like.

Edwin S. Burdell

Bigelow, H. F. *Family finance: a study in the economics of consumption.* (Philadelphia: Lippincott. 1936. Pp. xi, 519.)

This is virtually a melting pot of previous writings on household finance and family standards with elaborations at certain points by the author. The family, family wants and family incomes are first briefly analyzed. Four ways are then cited for making the most of family resources: intelligent choice, wise purchase in the market, production for use in the home, and spending together in voluntary groups or as taxpayers. A third of the volume is given to discussion of financial problems involved in food, clothing, housing, household operation, the automobile, education, health and recreation. In the final third of the book the author proposes a plan of strategy for family finance—a long-time plan—adjusting to changes in family make-up and needs, adjusting also both to the business cycle in its recurrent round and to long-time price trends. He adds observations and advice on the use of consumer credit and on saving. For class use the book is readable; each chapter is well provided with questions and references.

Like not a few other economists the author uncritically accepts the family as an economic unit, although 40 per cent of urban families have no children and numerous industrial families on the other hand regard broods of children

as their cheapest insurance against old age and unemployment. The slant of the book appears at times individualistic—every family for itself. If for example the income of a family is inadequate, instead of demanding opportunity to earn more money income to spend in the market and thus enlarge opportunities for employment, the family is to increase its real income by producing for use in the home. Wise spending in the market sometimes comes to little more than bargain hunting. In the discussion of spending together there is no suggestion, even relative to food purchases, of the notable self-help economic device of consumers' coöperation.

The author's main contribution, strategy in family budgeting, seems hardly applicable to families outside of the minority which are financially able to maintain a reserve from which to draw when the moment strikes for picking up bargains in shops and the stock market. One is tempted to suggest that young people, if faithfully guided by this book, would not permit Cupid to stampede them into marriage without reference to the business cycle. Their wedding dates and the births of their children they would plan to fit into the early part of the recovery stage in the cycle and thus ride prosperity as long as it lasts.

GRACE S. M. ZORBAUGH

BITTELMAN, A. *How to win social justice: can Coughlin and Lemke do it?* (New York: Workers Lib. Pubs. 1936. Pp. 47. 5c.)

BODFISH, M. *Time marches on in thrift and home-financing.* Address at 44th annual convention, U. S. Building and Loan League, New York City, October 14-16, 1936. (New York: U. S. Building and Loan League. 1936. Pp. 39.)

BOGARDUS, E. S. *Introduction to social research: a text and reference study, wherein are presented various methods of social research in a compact, convenient form.* (Los Angeles: Suttonhouse. 1936. Pp. 248. $3.)

BREHMER, R. G., JR. *Social doctrines of the Catholic Church.* (New York: Putnam. 1936. Pp. 141. $2.)

CAHN, F. and BARY, V. *Welfare activities of federal, state, and local governments in California, 1850-1934.* (Berkeley: Univ. of California Press. 1936. Pp. xxiv, 422. $3.50.)

The public welfare activities of California have been traced from the date when it was admitted as a state until the year 1934. The rapid growth of the state and changing social conditions have required constant enlargement of plans; the state, therefore, furnishes interesting material for study and guidance.

Part 1, dealing with children, outlines the development of county and state aid for dependent children, the changing program for juvenile delinquents and the organized systems for the care of handicapped children. Milestones in this development were: the licensing of private homes, the enactment of a liberal juvenile court law, the establishment of a travelling child guidance clinic, and the reference of federal juvenile delinquents to the state courts. Formerly the blind and the deaf were sent to the same institution. Gradually, however, separate provision was made for each group, and in 1930 two separate schools finally emerged. Two institutions have been established for the feeble-minded and many cities now conduct special classes for subnormal children.

The care of adults is considered in part 2. County hospital care represents the largest single service to the needy. Excellent work has also been done for the

tuberculous and the insane. Various methods of administering outdoor relief have been followed. An important chapter deals with the unemployed and with the efforts to meet this problem. A brief outline is also given of state coöperation with the federal government in attempts to meet emergency needs resulting from the recent industrial depression. California has developed an interesting set of laws and agencies for the protection of industrial workers. Limitation of the hours of women, minimum wage laws, workmen's compensation legislation, wage collection laws, and provision for the improvement of labor camps represent important features of the labor code of the state.

A special chapter is devoted to veterans, Indians, immigrants. Among the more significant laws enacted in respect to these groups were, the alien land laws, legislation providing for a commission on housing and immigration and the home teacher act. A final chapter summarizes the developments occurring within the state and contends that a socially alert public has contributed effectively to the growth of a public welfare program. On the other hand, public inertia is partly responsible for the failure to improve the quality of public service administration and to secure the enactment of other needed legislation.

GEORGE B. MANGOLD

CHASE, S. *Rich land, poor land: a study of waste in the natural resources of America.* (New York: McGraw-Hill. 1936. Pp. x, 361. $2.50.)

The inspiration for Mr. Chase's latest volume appears to have been derived jointly from the reports of the National Resources Board, Mr. Childs's *Sweden, the Middle Way,* and the author's earlier work *The Economy of Abundance.* The bulk of the present volume is devoted to an exposition of the need for an extensive and systematic conservation movement in the United States. The problems of soil erosion receive special emphasis. There is a chapter on the Tennessee Valley program, which serves as an example of the type of coordinated, regional planning which Mr. Chase favors. As an effort to impress the layman with the necessity for a program of conservation, the book is timely in conception and admirable in execution. There is much fresh material, derived from the studies of the National Resources Board, the style is vivid and effective, and there are a number of excellent supplementary illustrations.

The volume is more than a work on conservation, however. A conservation program is treated as an illustration of the way in which the principles of national and regional planning might be applied in the public interest. In this connection Mr. Chase urges the necessity of a program of public works and services centering upon conservation as the only adequate means of offsetting the technological displacement of labor. In the absence of such a program he foresees an inevitable secular increase in technological unemployment. But it is quite apparent in the latter pages of the book that Mr. Chase regards the type of planning represented by a conservation program in a capitalistic society as essentially a half-way measure; and that he feels that the "economy of abundance," in which conservation, unemployment, and most other important economic problems will really be solved, must be some kind of non-capitalistic planned society.

ROBERT W. HARBESON

CHILDS, H. L., editor. *Propaganda and dictatorship: a collection of papers.* (Princeton: Princeton Univ. Press. 1936. Pp. vi, 153.)

CUMMINGS, H. and MCFARLAND, C. *Federal justice: chapters in the history of justice and the federal executive.* (New York: Macmillan. 1937. Pp. ix, 576. $4.)

DAVIS, W. R. *Social science instruction and the new curriculum.* (Dallas: Turner Co. 1936. Pp. x, 89.)

DREIS, T. A., compiler. *A handbook of social statistics of New Haven, Connecticut.* (New Haven: Yale Univ. Press, for the Inst. of Human Relations, Yale Univ. 1936. Pp. xiii, 146. $2.50.)

Statistics of population, according to various categories: sex, age, nativity, children, economic status, etc. Also sample family surveys.

EHRLICH, E. *Fundamental principles of the sociology of law.* Translated by WALTER LEWIS MOLL. Harvard stud. in jurisprudence, 5. (Cambridge: Harvard Univ. 1936. Pp. 577. $5.)

ELLENOFF, H. *How to create more jobs than men without cost to government.* (New York: Author, Beaverbrooke Printing Co. 1936. Pp. 48.)

"Based on the theory that 'the less government the better,' 'a fair field and no favor' and 'equal opportunity to all, special privilege to none.' "

ELLIOTT, E. C. and CHAMBERS, M. M. *The colleges and the courts: judicial decisions regarding institutions of higher education in the United States.* (New York: Carnegie Found. for the Advancement of Teaching. 1936. Pp. x, 563.)

FAIRCHILD, H. P. *This way out.* Publication of the People's League for Economic Security. (New York: Harper. 1936. Pp. vii, 89. $1.)

GAUS, J. M., WHITE, L. D. and DIMOCK, M. E. *The frontiers of public administration.* (Chicago: Univ. of Chicago Press. 1936. Pp. ix, 146. $2.)

GULICK, L., and others. *Wharton Assembly addresses, 1936.* (Philadelphia: Univ. of Pennsylvania Press. 1936. Pp. 117. $1.)

Among the 8 addresses are "Objectives of the Wagner Labor Disputes act," by Francis Biddle; "Problems in the regulation of labor conditions," by Leo Wolman; "The relationship between federal fiscal policy and economic and social stability," by Lewis W. Douglas; and "Federal emergency administration of public works," by Harold L. Ickes.

GURNEE, H. *Elements of social psychology.* (New York: Farrar and Rhinehart. 1936. Pp. xi, 467.)

HALTER, H. *Society in action: a guide for the social studies.* (New York: Inor Pub. Co. 1936. Pp. x, 336.)

HAMILTON, G. *Social case recording.* (New York: Columbia Univ. Press for the N. Y. School of Social Work. 1936. Pp. vi, 190.)

HAMPTON, V. B. *Reorganizing the social studies: a survey.* (Stapleton, N.Y.: John Willig Press. 1936. Pp. 60.)

HUTTON, G., editor. *The burden of plenty.* (New York: Adelphi. 1935. Pp. 158. $1.75.)

A symposium centering upon the query, "In what does the economic problem consist?" This reproduces with little change 12 radio addresses delivered over the British Broadcasting System by some of England's most noted economists and statesmen. Those speaking were R. H. Brand, Hugh Dalton, H. D. Henderson, John A. Hobson, A. R. Orage, Lionel Robbins, Arthur Salter, Barbara Wootton and the editor, Graham Hutton.[1]

[1] The address delivered by J. M. Keynes was omitted at the request of Mr. Keynes because he thought it spoiled a talk *as a talk* if one prepared it with the knowledge that it was to be reproduced in print. A brief digest is inserted by the editor.

The speakers are to be highly complimented for their success in analyzing difficult and technical economic problems, and at the same time in making themselves understood by the average radio listener. Great interest in the talks was taken by the British people as the following incident shows. During the period covered by the talks, a lady called up the editor, Mr. Hutton, and said, "We have been hearing a great deal lately about the law of supply and demand. Can you tell us the date when that law was passed?"

The subjects given major emphasis were technological unemployment and economic planning. Henderson spoke of the famous Luddites organized over 100 years ago to destroy machines which were robbing men of employment. Yet a century of progress shows that technology has been absorbed and that employment has increased faster than population.

Barbara Wootton objects to the phrase "the burden of plenty" because it is a misnomer. "To make a nightmare out of plenty is just the work of hysterical imagination. . . . This is not a crisis of plenty. It is a crisis of sale." For her, the remedy is *planning*. Lionel Robbins took the opposite position, stating that the depression was due to *inflationism* and *intervention*. Had governments not intervened to disturb the normal functioning of capitalism through the profits motive and the price mechanism, the depression would have been shorter and less severe. The difficulty has been too much planning.

Editor Hutton summarizes the series, saying all agreed that the economic system was ill, and was unbalanced. None wished to cure the burden of plenty by abolishing the plenty. The major disagreement was on economic planning. Brand, Robbins and Henderson wanted intervention and unnatural restraints removed. Dalton, Wootton, Hobson and Orage have lost faith in the automatic forces and lean to economic planning of various types and degrees to create order and dispel chaos. Keynes and Salter believed in purposeful planning by entrepreneurs but opposed any all-embracing planned economy. The editor seems to despair of order through free markets and free enterprise; these seem to be gone forever. Therefore, we must have planning and control. This control can travel along three lines—fascism, socialism, or communism—but in any event away from free enterprise. He expresses no preference or future probability as to the course which planning may take.

H. L. McCracken

Keller, K. E. *Prosperity through employment: a job for every man and woman who wants to work.* (New York: Harper. 1936. Pp. 244. $2.50.)

The author, a member of the House of Representatives from Illinois, is convinced that it is just as much the duty of the national government to provide employment for the jobless as it is to protect the population against the ravages of floods. In the field of public works, there is vast opportunity for such employment, including the construction of canals, as one from New York to Brownsville on the Mexican border and another from the Gulf of Mexico to the junction of the Ohio and the Mississippi. Public highways also furnish an outlet for activity. The author argues that "rugged individualism" has broken down. The government should exercise full power over credit and should prevent the contraction and expansion of currency and credit.

Kinley, D. *Government control of economic life, and other addresses.* (New York: Gregg Pub. Co. 1936. Pp. xiii, 418.)

Klein, J. and Colvin, W. *Economic problems of today.* (Chicago: Lyons and Carnahan. 1936. Pp. 579. $1.60.)

KNIGHT, B. W. *How to run a war.* (New York: Knopf. 1936. Pp. 243. $2.)

LAPIERE, R. T. and FARNSWORTH, P. R. *Social psychology.* (New York: McGraw-Hill. 1936. Pp. xii, 504.)

LASH, J. P. and WECHSLER, J. A. *War our heritage.* (New York: International Pubs. 1936. Pp. 159. $1.)

LELAND, R. G. *Distribution of physicians in the United States.* Rev. ed. (Chicago: Bureau of Medical Econ., Am. Medical Assoc. 1936. Pp. 83.)

MOURRE, B. *Les fluctuations de l'activité économique: les periodes de longue durée et les crises.* (Paris: Alcan. 1936. Pp. 252. 25 fr.)

This is a purely monetary study of the fluctuations of economic activity. Occidental economic history seems to confirm the hypothesis that periods of parallel concurrence of rising rates of interest and discount, of rising prices and notable increase in gold production are characterized by an increase of economic activity.

A detailed analysis of the crisis of 1929, which in the author's view is unique in economic history, is the most distinctive feature of the book. He is in agreement with J. Rueff and his followers that it is more economical to lower the standard of living of the masses by letting wage rates "automatically" find their "natural" level. All socio-economic reforms are anti-economical. Mourre is of the decided opinion that government interference with economic activities aggravated and prolonged the existing crisis. He condemns outright all the economic measures of the Roosevelt administration. Unlike W. Oualid elsewhere, Mourre's judgment of their effects is highly pessimistic. He is a confirmed opponent of a managed economy. In view of the inevitable devaluation of the franc by the present French government, the author's stand for government doing as little as possible, for trusting to the free play of economic forces, receives a rude jolt. Since laissez-faire economic capitalism was not able to meet the modern needs of a highly complex technical age, it has to submit to increasing state control.

HERMAN HAUSHEER

POST, C. G., JR. *The Supreme Court and political questions.* Stud. in hist, and pol. sci., ser. liv. no. 4. (Baltimore: Johns Hopkins Press. 1936. Pp. 145. $1.50.)

RECORD, G. L. *How to abolish poverty: a program of political action to end the present and prevent future depressions, provide permanent employment for all, increase the production of wealth and secure its more equitable distribution.* (Jersey City: George L. Record Memorial Assoc. 1936. Pp. 201.)

SCHMIDT, O., KROPP, E. and LANGE, A. *Probleme der Planung und Finanzierung des Siedlungs- und Wohnungsbaues.* (Jena: Fischer. 1936. Pp. 132. RM. 2.)

STAMP, J. *Motive and method in a Christian order.* (New York: Abingdon Press. 1936. $2.)

UTLEY, S. W. *The American system: shall we destroy it?* (Detroit: Speaker-Hines Press. 1936. Pp. xii, 295.)

In his introduction the author, president of a small manufacturing company in Detroit, says, "I have sought to 'paint a picture' of the manner in which the so-called capitalistic system, as devolved under American social and political conditions, has been affecting the everyday life of the people—what it is, what it means to the individual, what its results have been, and what we shall lose if we substitute something else for it."

VON NELL-BREUNING, O. *Reorganization of social economy: the social encyclical developed and explained.* English ed. prepared by BERNARD W. DEMPSEY. (Milwaukee: Bruce Pub. Co. 1936. Pp. xi, 451. $3.50.)

WIESE, L. VON. *Sozial, geistig und kulturell: eine grundsätzliche Betrachtung über die Elemente des zwischenmenschlichen Lebens.* (Leipzig: Hans Buske. 1936. Pp. 31. RM. 90.)

WHITEHEAD, T. N. *Leadership in a free society: a study in human relations based on an analysis of present-day industrial civilization.* (Cambridge: Harvard Univ. Press. 1936. Pp. xv, 266. $3.)

WITHERS, W., with the collaboration of SNYDER, A. and QUALEY, C. *Current social problems: a survey of contemporary problems in their relation to education.* (New York: Prentice-Hall. 1936. Pp. xv, 302. $2.80.)

Among the topics discussed are: nature of civilization and social change; problems of economic efficiency and security; modern social problems, dealing more particularly with urban and rural life and city pathology. Chapters contain questions and bibliographical references.

WRIGHT, Q., editor *Neutrality and collective security.* Lectures on the Harris Foundation, 1936. (Chicago: Univ. of Chicago Press. 1936. Pp. xviii, 277. $2.50.)

ZIMMERMAN, C. C. *Consumption and standards of living.* (New York: Van Nostrand. 1936. Pp. xvi, 602.)

The demand for colonial territories and equality of economic opportunity. (London: Labour Party. 1936. Pp. 52. 4d.)

Economics and the ethics of medicine. (Chicago: Am. Medical Assoc. 1936. Pp. 69. 15c.)

Elements of an American program for social progress. Addresses delivered at the 20th annual meeting of the National Industrial Conference Board, New York City, May 28, 1936. (New York: Nat. Industrial Conf. Board. 1936. Pp. 68.)

Houses and the people who live in them: a study of the housing conditions of 140 families. Report of board and staff committee of Family Society of Philadelphia. (New York: Family Welfare Assoc. of America. 1936. Pp. 38.)

Industrial environment and health: practical methods of investigation. (Geneva: Internat. Labour Office. 1936. Pp. v, 336. $2.)

Interim report to the National Resources Committee on Urbanism. (Cincinnati: Nat. Resources Committee on Urbanism. 1936. Pp. 189.)

International survey of social services, 1933. Vol. II. (Geneva: Internat. Labour Office. 1936. Pp. 530. $2.75.)

Local government speaker's handbook. 1936-1937 ed. (London: Labour Party. 1936. Pp. 66. 6d.)

Nutrition and food supplies. (London: Labour Party. 1936. Pp. 33. 2d.)

The problem of nutrition. Vol. III. *Nutrition in various countries.* Vol. IV. *Statistics of food production, consumption and prices.* (Geneva: League of Nations. New York: World Peace Found. 1936. Pp. 271; 110. $1.40; 75c.)

Royal Commission on the Private Manufacture of and Trading in Arms (1935-1936): report. (London: H. M. Stationery Office. 1936. Pp. 101. 1s. 6d.)

El sistema económico americano comparado con el colectivismo y las dictaduras por la Cámara de Comercio de los Estados Unidos. (Buenos Aires: Confed. Argentina del Comercio, de la Industria y la Producción. 1936. Pp. 21.)

Some essential facts on government-aided housing in western Europe. (Washington: Bureau of Foreign and Domestic Commerce, U. S. Dept. of Commerce. 1936. Pp. 22. 10c.)

Insurance and Pensions

Administration of Workmen's Compensation. By WALTER F. DODD. (New York: The Commonwealth Fund. 1936. Pp. xviii, 845. $4.50.)

This is the best study in its field now available. Others have been confined almost without exception to a single jurisdiction and so to only a portion of the picture on a national scale, but this ranges over the entire field in the United States.

This is the latest of the series of studies in administrative law by the Legal Research Committee of the Commonwealth Fund which has been under way for some years and is to continue. The author is a member of the Chicago bar and was formerly professor of law in Yale University Law School, where he was serving when this study was undertaken six years ago. Every effort was made to cover all important law amendments down to January 1, 1936.

Its materials are drawn both from original investigations made for or in coöperation with this study and from other investigations and reports. The former were made by examination of records, observation of actual procedure, study of official reports and court decisions, and interviews with officials.

The method of treatment followed is to take up one by one each of the problems or steps in procedure involved in the administration of a compensation law, analyze each, and set forth and discuss the methods of handling its various aspects or parts followed in various jurisdictions. For many topics reference to particular jurisdictions is only in incidental fashion by way of noting illustrations of the method under consideration. For some, however, which are of larger scope or significance, a series of separate accounts of the method followed in each of several jurisdictions is presented. But the presentation throughout is not that of a compendium of practices in individual jurisdictions but a critical analysis of the character of the problems presented in any jurisdiction and of the methods of meeting those problems as illustrated in sample jurisdictions. The degree of detail in treatment is noted by the author as one which may be a source of criticism, but to this he makes the sufficient answer that the volume is not intended primarily for the general reader but for those specially interested in workmen's compensation and problems of governmental administration. After many years of compensation laws and their general acceptance, the need is less for treatises on their general aspects than for searching analysis of their elements and how they are working out in detail just such as this volume offers.

A critical examination of this study to test its attitude in the exercise of its rôle of judge of methods and practices has revealed nothing to deter

the reviewer from commending its conspicuous broad-mindedness and fair-mindedness. Comments and conclusions are not dogmatic and are cautiously and carefully drawn. This is not to say there is no room left for difference of opinion as to some conclusions presented. Where so much hangs on judgment there is bound to be room for differences even of informed opinion. But this does not alter the fact that this study bears all the earmarks of a wholly scientific and unbiased attitude.

In his concluding chapter the author correctly remarks that "much remains to be done toward bettering the content and administration of compensation laws." The volume provides an ample bibliography.

LEONARD W. HATCH

Pelham Manor, New York

NEW BOOKS

ALLEN, F. T. *General principles of insurance.* (New York: Longmans, Green. 1936. Pp. 250. $1.)

BAKER, H., compiler. *Social security: selected list of references on unemployment, old age and health insurance.* (Princeton: Princeton Univ. Industrial Rel. Section. 1936. Pp. 31. 25c.)

BERMAN, E. *Life insurance: a critical examination.* (New York: Harper. 1936. Pp. xi, 192.)

CONWAY, T. A. *The ABC of the Townsend plan: complete analysis of the Townsend plan; copy of McGroarty bill included.* (Elyria, Ohio: Author. 1936. Pp. 43.)

GILBERT, M. and GILBERT, E. A. *Industrial insurance: a snare for workers.* (New York: Progressive People's Pubs. 1936. Pp. 23. 3c.)

HALL, F. *Iowa workmen's compensation law.* (Shenandoah, Iowa: World Pub. Co. 1936. Pp. 332.)

HARWOOD, E. C. and FRANCIS, B. H. *Insurance and annuities from the buyer's point of view.* 4th ed. (Cambridge: Am. Inst. for Econ. Research. 1936. Pp. xiv, 171.)

HENDERSHOT, L. B. *Life insurance agency organization.* (New York: Life Office Manag. Assoc. 1936. Pp. 171. $2.75.)

MCBRIDE, E. D. *Disability evaluation: principles of treatment of compensable injuries.* (Philadelphia: Lippincott. 1936. Pp. xvi, 623.)

Contains 374 illustrations by Herbert Chezam.

MAGEE, J. H. *General insurance.* (Chicago: Business Pubs. 1936. Pp. xiii, 584. $4.)

Covers fire, marine, casualty and life insurance. Part 6 deals with fidelity and surety bonds.

"Since the book is designed for use in college survey courses in which the student doubtless is making his first contact with the field, experienced insurance men will find it to contain much that is elementary. Moreover, some of the more difficult and advanced phases of the various branches of insurance, that might reasonably be expected in a text for college students, had to be omitted as belonging more properly in specialized texts limited to a single field and designed for advanced courses."

MANURE, H. *The Pantalon old age pension plan: being an excerpt from one of the Bungstarter Memorial Lectures of Professor Henry Manure of Derbytown University.* (Princeton: Scientific Pub. Co. 1936. Pp. 16. 25c.)

REEDE, A. H. *The actuarial aspect of unemployment insurance: British experience.* Stud. vol. i, no. 1. (State College: Pennsylvania State College Council on Research. 1936. Pp. 31.)

SAWYER, E. W. *Automobile liability insurance: an analysis of the national standard policy provisions.* (New York: McGraw-Hill. 1936. Pp. xiv, 321.)

SCOTT, J. L. and FAULKNER, J. M. *Lectures on insurance: presented before insurance classes in Vancouver and New Orleans.* (New York: Insur. Inst. of America. 1936. Pp. 63.)

WYATT, B. E. *Private group retirement plans.* (Washington: Graphic Arts Press. 1936. Pp. x, 145.)

The Association of Life Insurance Presidents: proceedings of the thirtieth annual convention, New York, December 3 and 4, 1936. (New York: Assoc. of Life Insur. Presidents. 1936. Pp. 251.)

The insurance laws of Virginia. (Charlottesville: Michie Co. 1936. Pp. 108.)

New York and federal unemployment insurance (payroll taxes). 2nd ed. (New York: Commerce Clearing House. 1936. Pp. 192.)

Pauperism, Charities, and Relief Measures

Unemployment Relief in Periods of Depression. By LEAH HANNAH FEDER. (New York: Russell Sage Foundation. 1936. Pp. 384. $2.50.)

This study describes emergency unemployment policies and measures of public and private agencies in certain American cities during the depressions of 1857-1858, 1873-1879, 1893-1897, 1907-1908, 1914-1915, and 1920-1922. Attention is centered on the development of methods of relief administration rather than on the causes and prevention of cyclical unemployment.

The author states that the purpose of her study is "to make available the experience of the past in such form as (will) enable us to plan more wisely for the present and the future." In each of the six depressions which Miss Feder investigates, past experience in the administration of relief seems generally to have been disregarded. Each witnessed the same mistaken policies and the same inadequate measures. In each, the establishment and financing of relief measures were left largely to private agencies. In each, resort was had to bread lines, soup kitchens and clothing centers, despite the protests of social workers who pointed out the defects and dangers of this kind of indiscriminate relief. In each, the local community was the unit of responsibility and administration. After each period, as prosperity returned, all deliberation as to causes and remedies vanished. In consequence the onset of hard times invariably took the community, the state, and the nation unawares and unprepared, and "there occurred a mushroom growth of sentimental and poorly organized schemes" hopelessly inadequate to meet the need.

Miss Feder does not include an analysis of relief and employment measures developed during the depression which began in 1929, because, as she states, at the time of writing her book "the depression was heavy upon us" and its relief policies and practices could not be appraised. The first three years of this depression differed little if at all from past experience in dealing with the problem of unemployment, but the measures instituted by the Roosevelt administration mark a radical departure. For the first time the federal government has recognized that cyclical unemployment is a national problem beyond the power of local communities or even of state governments to handle. Miss Feder points out that it was not until the depression of 1914-1915 that a state government and not until that of 1920-1922 that the federal government made any attempt to deal with the problem. In 1914-1915 participation was limited to three state governments and took the form more of advice and exhortation than of leadership and financial aid. The activity of the federal government in the depression of 1920-1922 was limited to a conference on unemployment called by President Harding in 1921, the purpose of which "was not to offer federal participation in dealing with the problem of unemployment, but rather to hand the problem firmly back to private industry on the one hand and to local communities on the other." One feels that the new tactics and technique developed during the past four years are the result not of past experience but of the unprecedented volume of unemployment since 1929.

Miss Feder probably has written the definitive account of that aspect of social history covered by her study. That its lesson is mainly negative is to the discredit of society, not of the historian.

E. E. Hale

University of Texas

NEW BOOKS

Colcord, J. C. *Cash relief*. (New York: Russell Sage Found. 1936. Pp. 263. $1.50.)

At the beginning of the industrial depression, the commissary system established to distribute commodities to the needy became the prevailing method of granting relief. The FERA, however, favored the cash relief system and in a short time this system was quite generally adopted.

The experience with cash relief of nine cities is detailed. The cities differed from each other in respect to backgrounds of social work, sales tax provisions and attitudes of various commercial groups. In Denver the relief clients preferred to absorb the sales tax and use their cash as best they could. In Los Angeles pressure groups agitated vigorously for cash relief. Success of the system in New York City is indicated by the fact that in June 1935, out of 245,000 families under care less than one-half of one per cent had been returned to the plan of relief in kind.

The experience of these cities furnishes some interesting conclusions. It is clear that preparation should be made for transfer from relief in kind to cash

relief. The prediction that the new system would greatly increase the number of applicants was not confirmed. The number of misspenders of money was greatly outweighed by the number who used cash with thrift, resourcefulness and imagination. The pressure of creditors to collect the back debts of clients was a less serious problem than anticipated; and the adjustment of cash relief to irregular incomes, except in Cleveland, proved less difficult than was expected. Practically everywhere cash relief was preferred by the clients; and administrators, as a rule, also found the plan quite satisfactory.

Evidence on the comparative costs of the two systems was conflicting. In such a study two factors are involved: cost of relief, and administrative costs. The author concludes that the expenses of operation can be reduced by the introduction of cash relief, but states that the case for cash relief should be based on other premises.

GEORGE B. MANGOLD

GAYER, A. D. *Public works and unemployment relief in the United States.* Am. Council papers, no. 4. (New York: Am. Council, Inst. of Pacific Relations. 1936. Pp. 44.)

MCCORMICK, T. C. *Comparative study of rural relief and non-relief households.* Research monog. 2. (Washington: Works Progress Admin. 1935. Pp. xiii, 141.)

MCKENZIE, G. G. *Unemployment assistance guide.* 1936-1917 ed. (London: Labour Party. 1936. Pp. 55. 6d.)

SHIPMAN, G. A. *The care of unemployables in West Virginia.* Pub. affairs bull. no. 10. (Morgantown: West Virginia Univ. Bureau for Govt. Research. 1936. Pp. 62.)

STEWART, M. S. *This question of relief.* Public affairs pamph. no. 8. (Washington: Public Affairs Committee. 1936. Pp. 32. 10c.)

WEBB, J. N. *The transient unemployed: a description and analysis of the transient relief population.* Research monog. 3. (Washington: Works Progress Admin. 1935. Pp. 132.)

The business of relief: proceedings of the delegate conference, American Association of Social Workers, Washington, D.C., February 14-16, 1936. (New York: Am. Assoc. of Social Workers. 1936. Pp. 179. $1.)

Third report of the Commissioner for the Special Areas (England and Wales). (London: H. M. Stationery Office. 1936. Pp. xii, 210. 3s. 6d.)

Socialism and Coöperative Enterprises

NEW BOOKS

BROWDER, E. *Acceptance speeches: communist candidates in the presidential elections.* (New York: Workers Lib. 1936. Pp. 15. 1c.)

FOSTER, W. Z. *The crisis in the Socialist Party.* (New York: Workers Lib. 1936. Pp. 70. 5c.)

FOWLER, B. B. *Consumer coöperation in America: democracy's way out.* (New York: Vanguard. 1936. Pp. viii, 301. $2.)

Although consumer coöperation is an old story in Europe, it took a great depression and the Swedish study by Marquis Childs to arouse deep American interest in the movement. The author attempts in this book to do for consumer coöperation in the United States what Mr. Childs has done for Sweden. It

cannot be said that he has been so successful, probably because he had not the striking material from which to draw.

Case studies of coöperatives in various sections are given, most of these coming from the agricultural sections of the Middle West. Farmers coöperate to buy oil and gasoline. The old line companies fighting the retail coöperatives force the formation of wholesale coöperatives, and in turn the formation of coöperative oil-blending plants. The author believes this will continue until the coöperatives go back to the oil wells. The same thing happens for feed, fertilizer and seed. The growth of coöperative credit unions, coöperative insurance, coöperative milk distribution, and coöperative housing is portrayed. Although less attention is paid to coöperative organizations for the sale of groceries and clothing, yet instances of the rapid growth of the movement in these fields are shown. In fact, the author thinks the whole movement is spreading so rapidly that a peaceful revolution is taking place which is as American as the Constitution. In an appendix are presented statistics showing the phenomenal growth of a few of the coöperative organizations. An interesting chapter explains the establishment of standards by coöperatives so that consumers will know what they are getting and will not longer be guinea pigs for the ordinary marketing agencies.

In his enthusiasm for the coöperative idea the author is at times somewhat naïve, particularly in describing the plight of the farmer. "To meet the exactions of middleman monopoly the farmer went farther and farther into debt. He increased his mortgage load, and sank deeper into the morass of tenancy" (p. 19). "The huge farm debt, the top-heavy weight of farm mortgages—all exist because of the profit system whose toll was remorseless and unvarying" (p. 20). Did not mortgages to buy land under the stimulus of war-time prices, the later loss of foreign markets, and other factors play their part? Coöperation is a sound idea, but setting it up as a panacea does not strengthen its case.

The author recognizes that labor unions must play a part along with consumer organizations, but his emphasis seems to be that every worker in a factory is also a consumer, and as a member of a consumer coöperative he will have a definite voice in the control of conditions under which he works. Laborers would probably think this control too attenuated, and rightly would prefer to depend on their organizations as laborers.

Constant emphasis is placed on coöperation as a way of life rather than merely as a method to save a few pennies. If consumer coöperation is to spread further in America, this emphasis is correctly placed; for with the return of prosperity there will be less attention to penny-saving. Enthusiasm for the coöperative philosophy, good management, and a good accounting system are essentials for the continued expansion of the coöperative movement.

EARL R. SIKES

GEIGER, G. R. *The theory of the land question.* (New York: Macmillan. 1936.)

Dr. Geiger's book deals with the terminology used by land theorists, the nature and origin of land value, distinctions between land and capital, certain historical aspects of the land question and finally, the socialization of land through taxation. The author makes no claim to originality but writes because of the gravity of the land problem and the way in which it is "almost studiously neglected." Despite the author's modest claims, even the professional economists will find it a useful survey of the more important publications in the field.

It should also serve to correct the "new" economists who make no distinctions between land and capital, merely because both yield revenue, and thus slur over the fact that capital goods are produced by labor and that land is a free gift of nature.

Dr. Geiger states that he wrote for "our economic sophisticates (who) have not always taken the trouble to analyze either the quasi-socialistic philosophy they seem to favor, or the land problem that they surely deprecate." He names Professor Tugwell and the editors of *The Nation* and *The New Republic* as examples of the readers he would influence. I agree with the author on every essential point, but fear the book will leave quite cold all the little Tugwells in the land, and that the editors of *The Nation* and *The New Republic* will continue to speak for what the author calls the "see-a-head-and-hit-it" economists who flit from one economic injustice to another, tilting their feeble lances and then riding off in all directions at once.

The book should have begun where it left off. That is to say, in order to convert the "sophisticates" it is not necessary to impress them with the importance of land, or to convince them that land values are socially created. People who disbelieve these truths are not likely to read Dr. Geiger's book, or any other for that matter. If the "sophisticates" will not favor the socialization of rent it will be because they are uncertain of the propriety of expropriating the "innocents" who now own the earth.

Those who favor the socialization of almost everything should be easy converts to a proposal to socialize the value of land. However, it is barely possible that the sophisticates in question are too flighty to be converted to any fundamental program. They seem too busy recording the "news-worthy" episodes of our economic conflicts to grasp the fundamental issues involved or the heroic measures necessary to restore peace and justice to our economic system in which strikes, violence and injustice are the order of the day.

GLENN E. HOOVER

VON MISES, L. *Socialism.* (London: Jonathan Cape. 1936. Pp. 528. 18s.)

STRACHEY, E. J. S. *The theory and practice of socialism.* (New York: Random House. 1936. Pp. 512. $3.)

THORNING, J. F. *Communism in the U.S.A.* (New York: America Press. 1936. Pp. 32.)

WRIGHT, H. *Public ownership: promises and results. The story of the building and operation of the municipal light and power plant at Oberlin, Ohio, by consultant R. Husselman and village manager L. A. Sears, with detailed figures as to costs from the official books and records.* (Cleveland: Author. 1936. Pp. 81.)

American coöperation, 1936: a collection of papers and discussions comprising the twelfth summer session of the American Institution of Coöperation at the University of Illinois, June 15-19, 1936. (Washington: Am. Inst. of Coöperation. 1936. Pp. xiii, 750.)

Britain without capitalists: a study of what industry in a soviet Britain could achieve. (London: Lawrence and Wishart. 1936. Pp. 474. 8s. 6d.)

Statistics and Its Methods

National Income and Its Elements. By ROBERT F. MARTIN. (New York: Nat. Industrial Conf. Board. 1936. Pp. xiii, 134. $2.50.)

This extremely compact little volume presents the results of a painstaking

and scholarly attempt to measure the total income of the people of the United States each year from 1929 to 1934 inclusive, and to break down this total both by industries and by states. The text makes it evident that Dr. Martin has thought deeply concerning the concepts involved and that he has attacked the problem in a thoroughgoing manner. The explanations of most of the steps taken are lucid, though greatly condensed. The reviewer notes, however, certain exceptions to this rule. The nature of the difference between "realized production income" and "accountable realized income" is not brought out very clearly. In the paragraph on "industrial origin of income" it also seems that clarity has been sacrificed to brevity.

From the statistician's standpoint, it is unfortunate that Dr. Martin's study does not cover the year 1928, and that, therefore, it is not possible to splice his figures to the estimates covering the years 1909 to 1928, inclusive, prepared by the present writer for the National Bureau of Economic Research. The reviewer's estimate of total realized income for 1928 is 89,419 millions. Dr. Martin's figure for 1929 is only 80,029 millions. Since there was no shrinkage of income between 1928 and 1929, this difference, amounting as it does to more than 10 per cent, certainly calls for an explanation. Of the reasons responsible for the difference, the following appear to be the most important: (1) In the case of "government" and the industries labelled "service" and "finance," Dr. Martin's estimates of total wages and salaries are several billions of dollars lower than those made by the reviewer. Since records of the numbers of persons actually working in these lines have been notable mainly for their absence, and since, in a large proportion of the field, wage and salary statistics have been few, statisticians cannot be blamed unduly if their estimates differ widely. (2) Dr. Martin guessed that, in most industries, small entrepreneurs received the same average net income as did employees. The reviewer guessed that they were, on the average, more efficient than employees and probably earned 40 to 50 per cent more. The reader is entitled to guess which guess is better. (3) Dr. Martin makes no estimate of imputed income ascribable to the amount invested in durable consumption goods used for the direct benefit of the owners. This item of income is undoubtedly real, but is by no means easy to measure. The present writer estimated this quantity as amounting to some five billions of dollars.

Such discrepancies as those mentioned above should make it clear to the reader that the process of estimating income is still far from being an exact art. However, Dr. Martin has enjoyed the advantage of having at hand many dependable aggregations of statistics not available in 1929. For example, the 1930 censuses of construction and the mercantile and service industries added extremely important information concerning wages and salaries in these fields. That census also furnished a mass of information concerning the rents and values of homes throughout the United States.

Previously, estimates along this line had to be constructed mainly out of thin air. Furthermore, the 1930 census of unemployment supplied important evidence regarding the proportion of the so-called gainfully occupied population who were actually working at a given date.

The availability of such new sources has doubtless served to make Dr. Martin's estimates for a number of fields decidedly more reliable than the corresponding estimates made by his predecessors. As time passes and new masses of data are compiled, income estimates are likely to become more and more dependable, but so many intangibles are involved that the figures presented in the future by various statisticians will always be likely to differ from one another rather widely.

After all, the relative comparisons of the incomes of different years in different localities and in different industries are far more important than are the absolute statements of the totals. With the passage of time, the accuracy of these relative comparisons is almost certain to be greatly enhanced. Dr. Martin has apparently added materially to the reliability of the relative figures for the period 1929 to 1934, a period running the gamut from prosperity to extreme depression, and then back to partial recovery. His book appears to be of the type which furnishes a dependable source of information concerning the economic changes occurring in those six years.

One of the tasks essayed by Dr. Martin is to measure the decline occurring between 1929 and 1932 in the total number of persons employed. It is interesting to observe that he estimates this decline at 8,321,000. Since employment in 1929 was probably as full as at any time in the nation's history, it appears that those who have talked of 15,000,000 to 18,000,000 unemployed in 1932 were basing their assertions more upon imagination than upon statistical evidence.

This volume is presented in the usual attractive style characterizing the reports of the National Industrial Conference Board. Its few pages give to the uninitiated no indication of the great mass of work necessary to prepare the tables. The charts are both artistic and enlightening.

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NEW BOOKS

BROOM, M. E. *Educational statistics, for beginning students.* (New York: Am. Book. 1936. Pp. 336. $2.25.)

DAVENPORT, C. B. and EKAS, M. P. *Statistical methods in biology, medicine and psychology.* 4th ed. (New York: Wiley. 1936. Pp. 216. $2.75.)

DEAN, J. *Statistical determination of costs, with special reference to marginal costs.* (Chicago: Univ. of Chicago Press. 1936. Pp. xi, 145. $1.)

DICKINSON, F. G. and EAKIN, F. *A balance sheet of the nation's economy.* Bull. no. 54. (Urbana: Univ. of Illinois Bureau of Bus. Research. 1936. Pp. 35.)

This bulletin represents an attempt to formulate a balance sheet and income

statement, covering the year 1929, for the United States. It does not pretend to exactness in most of the figures presented. The intent is merely to draft a suitable form and enter therein such data as are available, many of the figures being admittedly rough estimates.

The undertaking, while ambitious, is certainly commendable. It points the way to a goal which every student of wealth and income hopes to see attained. Any adverse criticism must, therefore, pertain not to the end sought but to the form of presentation.

The reviewer feels that the authors of the bulletin have taken too much for granted. They assume that the typical reader will comprehend readily the meanings of the various items presented in the table. Is this likely? Just what, for example, is included under "consumers' chattels"? How does it happen that debit transactions are only 4.5 billions, when consumers buy ten times that value of goods each year? Is the whole balance sheet to be viewed from the standpoint of the individual or from that of the business concern? Where in the wealth statement do we find a place for the Capitol at Washington or for Yellowstone National Park? Why are items of consumption listed under "transactions"? Why under "individuals' income" are salaries and wages listed as credits rather than debits? Doubtless the authors have answers to all of these and other similar questions, but they have not sufficiently taken their readers into their confidence.

The reviewer questions the desirability of attempting to present a single, all-purpose, consolidated balance sheet and income statement. Would it not be better to have one statement representing wealth from the social standpoint and another representing wealth from the standpoint of individual owners? Likewise is it not desirable to have one income statement for individuals, another for business enterprises, and a third for public undertakings?

The table certainly needs clarification. It probably needs simplification as well. Nevertheless, the authors are to be commended for their initiative in blazing a trail into this new land of endeavor.

WILLFORD I. KING

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Industries and Commerce

In the Trade Information Series of the federal Department of Commerce has appeared Bulletin No. 835, *Foreign Markets for Wine and Other Grape Products* (pp. 50, 10c.).

This Department has published in the Trade Promotion Series Bulletin No. 166, *Foreign Trade of the United States, Calendar Year 1935,* by Grace A. Witherow (pp. 176).

The Department of Commerce has also issued *National Income in the United States, 1929-35,* prepared in the Division of Economic Research (pp. 304, 25c.). This is a continuation of the study published in 1934 as Senate Document No. 124, Seventy-third Congress, second session, under the title *National Income, 1929-32.* Earlier estimates have been revised and the figures have been brought down to a later date.

Additional volumes have been issued in the series published by the United States Tariff Commission, on *Comparative Statistics of Imports into the United States for Consumption by Countries for the Calendar Years 1931-1935 Inclusive.* This has been undertaken as W.P.A. statistical project 65-31-2075, carried on at Richmond, Virginia. Recent volumes are Vol. V, Group 3, *Textiles,* Part 3, *Wool and Hair;* Part 4, *Silk and Rayon or Other Synthetic Textile;* Vol. VII, Group 5, *Nonmetallic Minerals;* Vol. XI, Group 9, *Miscellaneous.*

The Tariff Commission has also published *Trade Agreement between the United States and Finland,* which contains a digest of trade data with respect to products on which concessions were granted by the United States (pp. 165). Copies may be obtained free from the Tariff Commission.

The Resettlement Administration has issued in the series of Land-Use Planning Publications, No. 10, *Problems and Suggestions in the Drafting of Rural Zoning Enabling Legislation,* by Herman Walker, Jr. (pp. 67); No. 11, *Some Considerations in Support of the Constitutionality of Rural Zoning as a Police Power Measure,* by Herman Walker, Jr. (pp. 48). Each of these contains selected references.

Labor

The Women's Bureau of the federal Department of Labor has published Bulletin No. 141, *Piecework in the Silk-Dress Industry: Earnings, Hours, and Production,* by Ethel L. Best (pp. 68, 10c.); No. 142, *The Economic Problems of the Women of the Virgin Islands of the United States,* by Ethel L. Best (pp. 24, 10c.); No. 147, *Summary of State Reports of Occupational Diseases with a Survey of Preventive Legislation, 1932 to 1934,* by Margaret T. Mettert (pp. 42, 10c.), containing a brief bibliography; No. 148, *The Employed Woman Homemaker in the United States: Her Responsibility for Family Support,* by Mary E. Pidgeon (pp. 22, 10c.).

The Social Security Board has issued Unemployment Compensation Circular No. 2, *Analysis of State Unemployment Compensation Laws, November 15, 1936.* The material is arranged in tabular form by states.

NOTES

The Nominating Committee of the AMERICAN ECONOMIC ASSOCIATION has been appointed for the year as follows: E. L. Bogart, University of Illinois, chairman; William A. Brown, Brown University; Raymond T. Bye, University of Pennsylvania; Henry A. E. Chandler, Guaranty Trust Company of New York; I. Leo Sharfman, University of Michigan; and one further appointment which is yet to be made.

Professors Alzada Comstock of Mount Holyoke College and Leonard L. Watkins of the University of Michigan have been appointed editors of the *Review* to succeed Professors Roy G. Blakey and Howard H. Preston, whose terms expired.

The following names have been added to the membership of the AMERICAN ECONOMIC ASSOCIATION since November 1:

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The following officers are serving as president and secretary of their respective associations:

American Economic Association—Professor O. M. W. Sprague, Harvard University, president; Professor James Washington Bell, Northwestern University, secretary.

American Statistical Association—Dr. W. Randolph Burgess, 33 Liberty St., New York City, president; Mr. Frederick F. Stephan, 722 Woodward Bldg., Washington, D.C., secretary.
American Political Science Association—Professor Thomas Reed Powell, Harvard University Law School, president; Professor Kenneth Colegrove, Northwestern University, secretary.
American Sociological Society—Professor Ellsworth Faris, University of Chicago, president; Dr. Harold A. Phelps, University of Pittsburgh, secretary.
American Farm Economic Association—Professor O. B. Jesness, University of Minnesota, president; Professor Asher Hobson, University of Wisconsin, secretary.
American Marketing Association—Mr. Frank R. Coutant, 250 Park Ave., New York City, president; Professor Albert Haring, Lehigh University, secretary.
American Association for Labor Legislation—Professor Joseph P. Chamberlain, Columbia University, president; Dr. John B. Andrews, New York City, secretary.
Econometric Society—Professor Harold Hotelling, Columbia University, president; Mr. Alfred Cowles, 3rd, Colorado Springs, secretary.
American Accounting Association—Professor Jacob B. Taylor, Ohio State University, president; Professor Henry T. Chamberlain, Loyola University, secretary.
Tax Policy League—Mr. Harold S. Buttenheim, 470 Fourth Ave., New York City, president; Miss Mabel L. Walker, 309 East 34th St., New York City, secretary.
Institute of Mathematical Statistics—Dr. W. A. Shewhart, Bell Telephone Laboratories, 463 West St., New York City, president; Professor Allen T. Craig, University of Iowa, secretary.
Association of Teachers of Law in Collegiate Schools of Business—Professor Sheldon C. Tanner, Pennsylvania State College, president; Professor Harold F. Lusk, Indiana University, secretary.

The National Association of Marketing Teachers and the American Marketing Society merged on January 1, 1937, to form the American Marketing Association.

The fifteenth annual conference of the Pacific Coast Economic Association was held at the University of Oregon, December 28-30, 1936. Among the subjects discussed was "Social Security" with papers on "Seasonal Employment and Unemployment Insurance," by William S. Hopkins, University of Washington; "Translation of Social Theory into Social Legislation," by George B. Mangold, University of Southern California; "Taxation" with papers on "Forest Taxation," by James C. Rettie, Oregon State Planning Commission; "Some Aspects of Mine Taxation," by Warren Roberts, University of Arizona; "Ability and Regressive Taxes in Existing Tax Systems," by James H. Gilbert, University of Oregon; "Monopolistic Prices," with papers on "Non-Competitive Prices and Public Policy," by R. B. Heflebower, Washington State College; "Problems of Public Utility Regulation," by E. K. Murray, Washington Department of Public Service; "Railroad Rate Problem," by H. K. Snell, University of Southern California.

Under the sponsorship of the departments of economics and government of the University of New Mexico the third annual conference on business and government in New Mexico was held at the University, December 4-5, 1936. The papers presented are published in the *New Mexico Business Review*, January, 1937.

The nineteenth annual meeting of the American Association of Collegiate Schools of Business will be held at Louisiana State University, March 22-24, 1937. For further information apply to Charles C. Fichtner, secretary-treasurer, University of Arkansas, Fayetteville, Arkansas.

The third annual conference of the Cowles Commission for Research in Economics will be held at Colorado Springs, June 28-July 23, 1937, following the

summer meeting of the American Association for the Advancement of Science at Denver. Further information may be obtained from Mr. Alfred Cowles, 3rd, Colorado Springs.

The Summer Institute for Social Progress at Wellesley College will hold its fifth annual conference, July 10-24. The theme will be "The World Challenge to Democracy: How Can America Meet It?" and Dr. Colston E. Warne of Amherst College will head the faculty.

The Congrès International des Sciences Economiques et Sociales will be held in Paris, beginning July 15, 1937, on the occasion of the Exposition Internationale de 1937. Further information may be obtained from Professor Jean Lescure, secretary-general of the committee on organization, Faculté de Droit de Paris, 12 Place du Panthéon, Paris.

Also in connection with the Exposition Universelle, the French National Committee, affiliated with the International Union for the Scientific Investigation of Population Problems, is arranging an International Congress on Population in Paris, July 28-31, 1937. Details may be obtained from Dr. A. J. Lotka, secretary of the American National Committee, Metropolitan Life Insurance Company, New York City.

Announcement has been received from Mr. Watson Davis, director of Science Service (2101 Constitution Ave., Washington, D.C.), in regard to the World Congress of Documentation to be held in Paris, August 16-21, 1937. Attention is also called to the Bibliofilm Service, care of the Library of the United States Department of Agriculture, Washington, D.C.

A new journal entitled *Marxist Quarterly* appears under date of January-March, 1937, published by the American Marxist Association, 20 Vesey Street, New York City ($2.00 per annum). Among the articles in the first number are "Science and Socialism" by Benjamin Ginzburg, "Farm Labor in Fascist Italy" by Carl T. Schmidt, "Marxism and Values" by Sidney Hook, "New Aspects of Cyclical Crises" by Bertram D. Wolfe. The managing editor is Lewis Corey.

A new journal has appeared entitled *Science and Society: A Marxian Quarterly,* with the editorial office at 6½ Holyoke Street, Cambridge, Massachusetts ($1.00 per annum). The managing editor is W. T. Parry, Harvard University.

The first issue of *Events: A Monthly Review of World Affairs* appeared under date of January (1133 Broadway, New York City, $2.00 per annum). Among the articles in the first issue are "Recovery—with Reservations" by Herbert Heaton, "That Mysterious National Debt" by Alzada Comstock.

The Bureau of Agricultural Economics of the federal Department of Agriculture has begun the publication, under date of January, 1937, of a monthly review entitled *Foreign Agriculture.*

A new weekly index of production and trade has been inaugurated by *Barron's* financial weekly under the direction of Dr. Warren M. Persons. Announcement is also made that *Barron's* will shortly publish a revised edition of its record of business and finance which charts its index since 1875 in correlation with stock and bond prices, wholesale commodity prices and interest rates, together with a dated summary of significant political and economic happenings from 1865 through 1936 (44 Broad Street, New York City).

The United States agency for documents published by the League of Nations, International Institute of Intellectual Coöperation, Permanent Court of International Justice has been transferred to Columbia University Press, International Documents Service, 2960 Broadway, New York City.

The Cowles Commission for Research in Economics has established two research fellowships of $1,000 a year each. These will be awarded to young men with the doctor's degree or equivalent experience who have demonstrated ability to do constructive research in the field of economics and statistics. For the current year fellowships have been granted to Herbert E. Jones and Gerhard Tintner.

Professor George Milton Janes, formerly of Kenyon College, died in Oberlin, Ohio, December 24, 1936.

Professor W. C. Stockfeld, assistant professor of marketing and management in the School of Commerce, University of North Dakota, was killed in an automobile accident, December 13, 1936.

Mr. Alfred W. Briggs, formerly connected with the staff of economics at the University of Wisconsin, also statistician for the Wisconsin Industrial Commission, and later director of the Wisconsin Public Welfare Department, died September 15, 1936.

Appointments and Resignations

George E. Barnett of Johns Hopkins University has accepted an invitation of the Carnegie Corporation to make a study of arbitration courts in New Zealand and Australia, and will be on leave of absence from the university during the academic year 1937-1938.

Edward Berman has resigned as associate professor in the department of economics at the University of Illinois and has accepted a position as senior economist with the Works Progress Administration in Washington.

Leo G. Blackstock, associate professor of business administration at the University of Texas, has been granted a leave of absence to serve as chief examiner of the Gas Utilities Division of the Texas Railroad Commission.

Malcolm H. Bryan, associate professor in the School of Commerce at the University of Georgia, has been granted a year's leave of absence and is tax economist with the Federal Reserve Board.

T. N. Carver is at the University of Illinois during the second semester of the present academic year, teaching graduate classes in economic theory and value and distribution.

W. L. Crum of the department of economics at Harvard University has been granted a special leave of absence for the second half of the present academic year in order to serve in Washington as a consulting expert in the United States Treasury.

Joseph Demmery, professor of business fluctuations and real estate at the University of Washington, spent the summer and early autumn of 1936 studying the housing program in England.

C. H. Donovan has resigned as a graduate assistant in the department of economics and commerce at the University of North Carolina to accept a position in the research section of the Tennessee Valley Authority at Knoxville.

L. Lázló Ecker-Rácz, formerly director of the Municipal Finance Section of the W.P.A. at Washington, has joined the research staff of the Treasury Department.

Frank Whitson Fetter, chairman of the economics department at Haverford College, has been promoted from associate professor to professor of economics.

George R. Geiger, professor at the Bradley Polytechnic Institute has been appointed to the summer session staff in economics at the University of Missouri.

Walter W. Glaeser of the University of Washington is acting instructor in marketing at the State College of Washington.

B. F. Haley, executive head of the department of economics at Stanford University, who has been absent on leave for three quarters, will return to Stanford from Europe by the end of March.

George Halm, formerly of the University of Wurzberg, Germany, joined the staff of the department of economics at Tufts College at the beginning of the second semester of the present academic year.

Clifford L. James of Ohio State University will be a member of the summer school staff at the University of Cincinnati.

Leland H. Jenks of Wellesley College will spend the spring and summer in England, engaged in research upon some aspects of the migration of British capital chiefly since 1875.

Harry Jerome of the department of economics at the University of Wisconsin, who was on leave for the first semester of the present year to do research on the mechanization of industry for the W.P.A., has had his leave extended for the rest of the academic year to complete his work.

E. A. Kincaid of the University of Virginia has been appointed consulting economist by the Federal Reserve Bank of Richmond, Virginia.

Spencer A. Larsen, professor of marketing and management in the School of Commerce, University of North Dakota, has returned from his leave of absence for the past three semesters when he served as consultant for the Interim Tax Commission of North Dakota.

J. E. LeRossignol, dean of the College of Business Administration at the University of Nebraska, has returned to the University after a semester's leave of absence.

Francis McIntyre, instructor in economics at Stanford University, has returned to active duty after having been on leave at the University of Chicago during the autumn quarter.

Eliot G. Mears of Stanford University was the director of the fourteenth session of the Institute of World Affairs, held at Riverside, California, December 13-18, 1936.

Robert D. Patton of Ohio State University will teach economics in the University of West Virginia during the summer of 1937.

Dudley F. Pegrum, associate professor at the University of California at Los Angeles, will be on leave of absence for the second semester of the present academic year, studying in Europe.

Lloyd B. Raisty, associate professor in the School of Commerce at the University of Georgia, has been granted a leave of absence for the remainder of the academic year in order to serve as supervisor of the survey of county and municipal fiscal affairs for the state of Georgia.

T. Bruce Robb, chairman of the department of business research at the College of Business Administration, University of Nebraska, has been granted a year's leave of absence, beginning February 1, in order to take charge of the division of statistics for the Federal Reserve Bank of Kansas City.

David Rozman of Massachusetts State College, director of research in economics at the Agricultural Experiment Station has been granted a six-months' leave of absence. He has recently been advanced to the rank of professor.

Harold Smart of Massachusetts State College has been advanced to the rank of assistant professor.

William A. Spurr of New York City has been appointed assistant professor of Statistics in the College of Business Administration at the University of Nebraska.

Lucius Smith has resigned as professor of business education at the Bluefield State Teachers College, Bluefield, West Virginia, to accept a position with the School of Business of Hampton Institute.

H. B. Summers, professor at Kansas State College, has been appointed to the summer session staff in economics at the University of Missouri.

Glenn W. Sutton returned to his duties in the School of Commerce at the University of Georgia after a year's leave which he has spent as regional director of the Southeastern Region of the Urban Study of Consumer Purchases.

Fladger F. Tannery, instructor in business administration at the University of Texas, has been granted a leave of absence in order to serve as first assistant auditor of Texas.

Cecil G. Tilton, professor at Connecticut State College, has returned from a year's sabbatical leave in Japan, China and Manchukuo.

Jacob Viner of the University of Chicago gave two graduate courses in the department of economics at Stanford University during the winter quarter.

A. B. Wolfe of Ohio State University will be a member of the summer school staff at Northwestern University.

W. H. Wynne, who last year substituted at the University of California, Berkeley, for Professor H. F. Grady, is spending this year as director of a study of Canadian taxation, with headquarters at the Citizens' Research Institute of Canada, Toronto.

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